

Lloyds UDT Business Equipment Limited

Directors' report and financial statements For the year ended 31 January 2012

Registered office

25 Gresham Street
London
EC2V 7HN

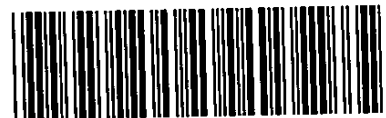
Registered number

2129340

Directors

G Ferguson
D J S Oldfield
C K Sarfo-Agyare

WEDNESDAY



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COMPANIES HOUSE

Member of Lloyds Banking Group

Directors' report

For the year ended 31 January 2012

The directors present their report and the audited financial statements of Lloyds UDT Business Equipment Limited for the year ended 31 January 2012

Business review

Principal activities

Lloyds UDT Business Equipment Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 2129340)

The Company provides a range of operating and finance lease products for corporate customers

The Company's results for the year show a Profit before tax of £97,000 (2011 £128,000) and Net interest income of £91,000 (2011 £99,000)

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group")

Future outlook

The Company ceased writing new business in September 2004. Accordingly the carrying value of Property, plant and equipment and Loans and advances to customers and associated income will continue to reduce as individual lease agreements expire and assets are disposed of

At the end of April 2011 all operating lease agreements and associated balances were sold to a third party, Asset Advantage Limited. As such the Company ceased maintaining its operating lease business during the year

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division ("the Division") and are not managed separately for the Company. Further details of the Company's and Division's risk management policy are contained in note 2 to the financial statements

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level and are disclosed in the financial statements for Black Horse Limited, which is the main trading company in the Division

Policy and practice on payment of suppliers

The Company follows "The Prompt Payment Code" published by the Department for Business Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the "Prompt Payment Code" may be obtained by visiting www.promptpaymentcode.org.uk

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 no amounts are owed to trade creditors as at 31 January 2012, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2011 nil)

Dividends

No dividends were paid or proposed during the year ended 31 January 2012 (2011 £nil)

Going Concern

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

Directors' report (continued)

For the year ended 31 January 2012

Directors

The names of the current directors are shown on the cover

The following changes have taken place during the year

T M Blackwell	(resigned 19 July 2011)
A P White	(resigned 19 September 2011)

Directors' indemnities

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision". These deeds are in force during the whole of the financial year. The indemnities remain in force at the date of signing the financial statements. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc.

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 prepared 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 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.

Disclosure of information to auditors

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


- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

On behalf of the board


D J S Oldfield
Director

31 July

2012

Independent auditors' report to the member of Lloyds UDT Business Equipment Limited

We have audited the financial statements of Lloyds UDT Business Equipment Limited for the year ended 31 January 2012 which comprise the Statement of comprehensive income, 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 Statement of directors' responsibilities 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 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 member 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. In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 January 2012 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.

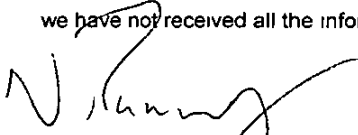
Opinion on other matter prescribed by the Companies Act 2006

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.


Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

31 July 2012

Statement of comprehensive income

For the year ended 31 January 2012

	Note	2012 £'000	2011 £'000
Interest income		136	232
Interest expense		(45)	(133)
Net interest income	4	91	99
Other operating income	5	38	68
Impairment losses on Loans and advances to customers		(8)	-
Other operating expenses	6	(24)	(39)
Profit before tax		97	128
Taxation	9	(29)	515
Profit for the year attributable to owners of the parent, being total comprehensive income		68	643

The notes on pages 8 to 20 are an integral part of these financial statements

Balance sheet

As at 31 January 2012

	Note	2012 £'000	2011 £'000
ASSETS			
Other current assets	10	2,414	1,484
Loans and advances to customers	11	282	1,237
Property, plant and equipment	12	-	23
Total assets		2,696	2,744
LIABILITIES			
Other current liabilities	13	25	88
Current tax liability		370	42
Deferred tax liability	14	336	717
Total liabilities		731	847
EQUITY			
Share capital	15	-	-
Retained profits		1,965	1,897
Total equity		1,965	1,897
Total equity and liabilities		2,696	2,744

The notes on pages 8 to 20 are an integral part of these financial statements

The financial statements on pages 4 to 20 were approved by the board of directors and were signed on its behalf by


D J S Oldfield
Director

31 July 2012

Statement of changes in equity

For the year ended 31 January 2012

	Share capital £'000	Retained profits £'000	Total £'000
At 1 February 2010	-	1,254	1,254
Total comprehensive income for the year	-	643	643
At 31 January 2011	-	1,897	1,897
Total comprehensive income for the year	-	68	68
At 31 January 2012	-	1,965	1,965

The notes on pages 8 to 20 are an integral part of these financial statements

Cash flow statement

For the year ended 31 January 2012

	2012 £'000	2011 £'000
Cash flows generated from operating activities		
Profit before tax	97	128
Adjustments for		
- Interest paid	45	133
- Depreciation	-	25
- Cost on disposal of ex-leased assets	23	13
Changes in operating assets and liabilities		
- Net decrease in Loans and advances to customers	955	2,540
- Net increase in Other current assets	(930)	(1,447)
- Net decrease in Other current liabilities	(63)	(142)
Cash generated from operations	127	1,250
Interest paid	(45)	(133)
Taxes paid via group relief	(82)	(29)
Net cash generated from operating activities	-	1,088
Cash flows used in financing activities		
Repayment of balances with group undertakings	-	(1,088)
Net cash used in financing activities	-	(1,088)
Net movement 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 8 to 20 are an integral part of these financial statements

Notes to the financial statements

For the year ended 31 January 2012

1. Accounting policies

1.1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

- (i) Amendments to IAS 24 Related Party Disclosures. Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities. As the amendments only result in reduced disclosures, the amendments have not had any impact for amounts recognised in these financial statements.
- (ii) Improvements to IFRSs (issued May 2010). Sets out minor amendments to IFRS standards as part of annual improvements process. Most amendments clarified existing practice. The application of these new interpretations has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 January 2012 and which have not been applied in preparing these financial statements are given in note 20.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Income from financial assets

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

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.

Lease classification

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

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

Finance lease income

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 incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Notes to the financial statements (continued)

For the year ended 31 January 2012

1. Accounting policies (continued)

1.2 Income recognition (continued)

Operating lease income

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

When an operating lease is terminated before the end of the lease period, any payment made to the Company by way of penalty is recognised as income in the period of termination

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

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Loans and advances to customers and Other trade receivables. Financial liabilities comprise Other current 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

Interest bearing financial assets and liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method

1.4 Impairment

Loans and advances to customers

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

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral

If there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently

The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience

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

When a loan or advance is uncollectible, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the Statement of comprehensive income on a cash receipts basis

Notes to the financial statements (continued)

For the year ended 31 January 2012

1 Accounting policies (continued)

1.4 Impairment (continued)

Assets held under operating leases

Impairment of Property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the Statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the Statement of comprehensive income.

1.5 Property, plant and equipment

Property, plant and equipment are included at historical purchase cost less depreciation and any impairment allowance. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight line method to allocate the difference between the cost and expected residual value over the period of the lease. The estimated useful lives of all Property, plant and equipment is 1 to 5 years.

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

The carrying value of Property, plant and equipment held as operating lease assets is transferred to Inventories at the end of the operating lease period when the asset becomes held for sale. Upon sale, the invoiced value of these assets is recognised as Other operating income and the carrying value charged to Other operating expenses.

1.6 Cash and cash equivalents

For the purposes of the Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.7 Taxation, including deferred income taxes

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

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

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is 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.

2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, market risk, and business risk, it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the intermediate parent, Lloyds TSB Asset Finance Division Limited, and the ultimate parent, Lloyds Banking Group plc. Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Division's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

2.1 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 and operating leases is managed through the application of strict underwriting criteria, determined by the Division's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 January 2012

2. Risk management policy (continued)

2.1 Credit risk (continued)

In measuring the credit risk of loans and advances, the Company reflects three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations, (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default', and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default')

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.
- Counterparty limits: Credit risk in wholesale portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward. Divisional exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities.

2.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by an intermediate parent company, Lloyds TSB Bank plc, in consultation with the board of directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

2.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been provided in note 17.2.

2.4 Market risk

The Company is exposed to market risk, however the directors do not consider it to be a material exposure, and believe the exposure to be fully managed.

2.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a sub optimal business strategy or the sub optimal implementation of the strategy. In assessing business risk, consideration is given to internal and external factors such as products, funding, resource capability, and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

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.

Notes to the financial statements (continued)

For the year ended 31 January 2012

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

Impairment of assets accounted for at amortised cost

The Company regularly reviews its portfolio of leases to assess for impairment. In determining whether an impairment has occurred the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows and their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on assets in the Company.

The methodology used to calculate the required impairment provisions are calculated collectively using formulae which take into account factors such as the length of time that the customer's account has been delinquent, historical loss rates and the value of any collateral held in order to determine expected future cash flows. The variables used in the formulae are kept under regular review to ensure that as far as possible they reflect the current economic circumstances, although actual experience may differ from that assumed.

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

4. Net interest income

	2012 £'000	2011 £'000
Interest income		
From finance lease contracts	102	219
Group interest income (see note 16)	34	13
	136	232
Interest expense		
Group interest expense (see note 16)	(45)	(133)
Net interest income	91	99

5. Other operating income

	2012 £'000	2011 £'000
Proceeds on disposal of ex-leased assets	34	23
Operating lease income	4	45
	38	68

6. Other operating expenses

	2012 £'000	2011 £'000
Depreciation (see note 12)	-	25
Cost on disposal of ex-leased assets	23	13
Other operating expenses	1	1
	24	39

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2011: £1,000) have been borne by a fellow subsidiary undertaking and are not recharged to the Company.

Notes to the financial statements (continued)

For the year ended 31 January 2012

7. Staff costs

The Company did not employ any persons during the year (2011: none). Accounting and administration services are provided by a fellow subsidiary and are not recharged to the Company.

8. Directors' emoluments

No director received any fees or emoluments during the year (2011: £nil). The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 16).

9. Taxation

	2012 £'000	2011 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax		
- Current tax on taxable profit for the year	370	43
- Adjustments in respect of prior years	40	(988)
Current tax charge/(credit)	410	(945)
UK deferred tax		
- Origination and reversal of timing differences	(381)	(493)
- Adjustments in respect of prior years	-	923
Deferred tax (credit)/charge (see note 14)	(381)	430
	29	(515)

Corporation tax is calculated at a rate of 26.3% (2011: 28.0%) of the taxable profit for the year.

b) Factors affecting the tax charge/(credit) for the year

The tax on the Company's Profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	2012 £'000	2011 £'000
Profit before tax	97	128
Tax charge thereon at UK corporation tax rate of 26.3% (2011: 28.0%)	26	36
Factors affecting charge		
- Losses claimed for no payment	-	(460)
- Adjustments in respect of prior years	40	(64)
- Effect of reduction in tax rate	(37)	(27)
Tax on profit on ordinary activities	29	(515)
Effective rate	29.9%	(402.3%)

Notes to the financial statements (continued)

For the year ended 31 January 2012

10. Other current assets

	2012 £'000	2011 £'000
Amounts due from group undertakings (see note 16)	2,414	1,483
Other trade receivables	-	1
	2,414	1,484

Amounts due from group undertakings are unsecured and repayable on demand. Balances due from United Dominions Trust Limited are interest bearing based on historic market swap rates. Balances due from Lloyds UDT Limited are reported on a net basis but include an element of borrowings that attract interest at fixed rates.

11. Loans and advances to customers

	2012 £'000	2011 £'000
Gross loans and advances to customers	290	1,237
Less: allowance for losses on loans and advances	(8)	-
Net loans and advances to customers	282	1,237
of which		
Due within one year	186	941
Due after one year	96	296
	282	1,237

Loans and advances to customers include finance lease receivables

	2012 £'000	2011 £'000
Gross investment in finance lease contracts receivable		
- no later than one year	208	990
- later than one year and no later than five years	101	317
	309	1,307
Unearned future finance income on finance lease contracts	(19)	(70)
Net investment in finance lease contracts	290	1,237

The net investment in finance lease contracts may be analysed as follows

	2012 £'000	2011 £'000
- no later than one year	194	941
- later than one year and no later than five years	96	296
	290	1,237

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 4 and 20 years.

Notes to the financial statements (continued)

For the year ended 31 January 2012

11 Loans and advances to customers (continued)

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2011 £nil)

Further analysis of Loans and advances to customers is provided in note 17

12 Property, plant and equipment

	Total £'000
Cost	
At 1 February 2010	949
Transfer to Inventories	(181)
At 31 January 2011	768
Transfer to Inventories	(768)
At 31 January 2012	-
Accumulated depreciation	
At 1 February 2010	888
Charge for the year	25
Transfer to Inventories	(168)
At 31 January 2011	745
Transfer to Inventories	(745)
At 31 January 2012	-
Balance sheet amount at 31 January 2012	-
Balance sheet amount at 31 January 2011	23

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

At 31 January the future minimum rentals receivable under non-cancellable operating leases were as follows

	2012 £'000	2011 £'000
Receivable within one year	-	10

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

13. Other current liabilities

	2012 £'000	2011 £'000
Other creditors	11	12
Other tax payable	14	76
	25	88

Notes to the financial statements (continued)

For the year ended 31 January 2012

14. Deferred tax liability

The movement in the Deferred tax liability is as follows

	2012 £'000	2011 £'000
Brought forward	717	287
(Credit)/charge for the year (see note 9)	(381)	430
At 31 January	336	717

The deferred tax (credit)/charge in the Statement of comprehensive income comprises the following temporary differences

	2012 £'000	2011 £'000
Accelerated capital allowances	(381)	430

	2012 £'000	2011 £'000
Deferred tax liability comprises		
Accelerated capital allowances	336	717

The UK Government announced on 23 March 2011 that the headline rate of corporation tax would be reduced from 28% by 2% on 1 April 2011 and 1% each year thereafter until it reaches 23%. On 22 March 2012 the UK Government announced that on 1 April 2012 the headline rate of corporation tax would be reduced by 2% rather than 1% to 24%, and 1% each year thereafter until it reaches 22%.

These rate changes will affect the amount of future cash tax payments to be made by the Company and will also reduce the size of the Company's Deferred tax liability in the future.

The change to 25% announced on 23 March 2011 was substantively enacted on 5 July 2011 and as such, in accordance with accounting standards, deferred tax has been calculated at a rate of 25%. The effect of the change in rate to 24% would not significantly affect the Company's Deferred tax liability and will be reflected in the Company's financial statements for the year ending 31 January 2012. The proposed further reductions in the rate of corporation tax by 1% per annum to 22% by 1 April 2014 are expected to be enacted separately each year. The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage.

Notes to the financial statements (continued)

For the year ended 31 January 2012

15. Share capital

	2012 £'000	2011 £'000
Allotted, issued and fully paid		
100 ordinary shares of £1 each	-	-

At 31 January 2012, the authorised share capital of the Company was £1,000 divided into 1,000 shares of £1 each

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

16. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited. A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

	2012 £'000	2011 £'000
Amounts due from group undertakings		
United Dominions Trust Limited	1,044	169
Lloyds UDT Limited	1,370	1,314
Total Amounts due from group undertakings (see note 10)	2,414	1,483
Interest income		
United Dominions Trust Limited (see note 4)	34	13
Interest expense		
Lloyds UDT Limited (see note 4)	45	133

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 Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group.

17. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2. A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

17.1 Credit risk

Credit concentration - Other trade receivables

The Company provides operating lease arrangements to customers geographically located in the United Kingdom. The maximum exposure to Other trade receivables at the year end is £nil (2011: £1,000). Past due is defined as failure to make a payment when it falls due. No trade receivables are considered to be impaired (2011: £nil).

Credit concentration - Loans and advances to customers

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

Notes to the financial statements (continued)

For the year ended 31 January 2012

17. Financial risk management (continued)

17.1 Credit risk (continued)

Loans and advances to customers – maximum exposure

	2012 £'000	2011 £'000
Neither past due nor impaired	267	1,227
Past due but not impaired	15	10
Impaired	8	-

Maximum credit exposure	290	1,237
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Loans and advances to customers which are neither past due nor impaired

	2012 £'000	2011 £'000
Good quality	-	802
Satisfactory quality	226	103
Lower quality	41	322
Below standard, but not impaired	-	-

Total	267	1,227
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In general, good quality lending comprises those balances with a lower probability to default rating assigned and the rating progressively increases for each category exhibiting a progressively higher probability to default

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

	2012 £'000	2011 £'000
Past due up to 30 days	15	10
Past due from 30-60 days	-	-
Past due from 60-180 days	-	-

Total	15	10
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Past due is defined as failure to make a payment when it falls due

Allowance for loans and advances to customers which are impaired

	2012 £'000	2011 £'000
Brought forward	-	-
Charge for year (including recoveries)	8	-

At 31 January	8	-
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The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1.4

Reposessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles and other plant and machinery. The Company does not take physical possession of any collateral, instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

During the year the Company reposessed collateral in respect of defaulted debt with a value of £nil (2011: £nil).

Notes to the financial statements (continued)

For the year ended 31 January 2012

17. Financial risk management (continued)

17.2 Interest rate risk

Interest rate risk is managed at a divisional level. As the Company is exposed to interest rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's amounts due from United Dominions Trust Limited and takes account of movement in market swap rates which is the basis for the interest rate on this intercompany balance. A 0.8% increase or decrease is used to assess the possible change in interest income. This rate is appropriate as it reflects the change in market swap rates in the year.

If market swap rates increased by 0.8% and all other variables remain constant this would increase Interest income by £7,000 (2011: £2,000) and accordingly decrease Interest income by £7,000 (2011: £2,000) if swap rates decreased by the same amount.

17.3 Market risk

The leasing portfolio includes agreements where the Company has a risk in respect of residual value of the assets. This area of credit policy is monitored by a residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data.

17.4 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

17.5 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of Loans and advances to customers are estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £291,000 (2011: £1,241,000). The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

18. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

19. Post balance sheet events

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

Notes to the financial statements (continued)

For the year ended 31 January 2012

20. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 January 2012 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IFRS 13 Fair value Measurement ¹	Sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments Classification and Measurement ^{1 & 2}	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015

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

2 IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that neither of these pronouncements is expected to cause any material adjustments to the reported numbers in the financial statements.