4839361

LLOYDS TSB CORPORATE ASSET FINANCE (NO 2) LIMITED

30 June 2007

Member of Lloyds TSB Group

WEDNESDAY
LNXXWZB8
LD5 30/04/2008 326
COMPANIES HOUSE

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming
J M Herbert
P Higgins
A B Vowles (Alternate A M Basing)

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London EC2V 7HN

REGISTERED NUMBER

4839361

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year the principal activity of the company was the leasing of plant and equipment, and this is likely to continue for the foreseeable future The directors consider the results for this year to be satisfactory

The results of the company show a pre-tax loss of £251,000 (2006 £51,000) for the year as set out in the income statement on page 5

The company has a net deficit on shareholder's equity of £150,000 (2006 £69,000)

DIVIDENDS

The directors' did not authorise or pay any dividend during the financial year (2006 £nil)

DIRECTORS

The names of the directors of the company are shown on page 1 The following changes in directors have taken place during the year

	Appointed	Resigned/Ceased to be a director
T J Cooke	18 June 2007	
J M Herbert	18 June 2007	
M W Joseph		15 November 2006
R F Pelly		26 February 2007

RESPONSIBILITIES OF DIRECTORS

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately For further details please refer to note '1 (f) – Financial risk management' in these financial statements

KEY PERFORMANCE INDICATORS ('KPIs')

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

REPORT OF THE DIRECTORS

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

As the company owed no amounts to trade creditors at 30 June 2007, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil

On behalf of the board

P Higgins
Director

25 April 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB CORPORATE ASSET FINANCE (NO 2) LIMITED

We have audited the financial statements of Lloyds TSB Corporate Asset Finance (No 2) Limited for the year ended 30 June 2007 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 June 2007 and of its loss and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

Savannah House
3 Channel Way
Ocean Village
Southampton
SO14 3TJ

30th April 2008

INCOME STATEMENT
For the year ended 30 June 2007

	Note	2007 £000	2006 £000
Finance income	2	60	59
Operating Lease Income	3	1,360	763
Depreciation of operating leases		(1,361)	(629)
Finance costs	4	(265)	(201)
		(206)	(8)
Impairment charge - Tax rate variation	5	(3)	-
Administrative Expenses		(42)	(43)
Loss before tax	6	(251)	(51)
Taxation credit	7	104	15
Loss for the year		(147)	(36)

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 30 June 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Assets					
Non-current assets					
Fixed assets	8	4,627		5,682	
Finance lease receiveables	9	584	5,211	667	6,349
Current assets					
Finance lease receiveables	9	295		208	
Amounts owed by group companies	11	308		353	
Other debtors		627	1,230	339	900
Total assets			6 441		7,249
Liabilities					
Current liabilities					
Amounts owed to group companies	12	5,544		6,230	
Other creditors		615	6,159	575	6,805
Non-current liabilities					
Deferred taxation	13		432		513
Total liabilities			6,591		7,318
Equity					
Share capital	14	-		-	
Other reserves	16	64		(2)	
Retained earnings	15	(214)	(150)	(67)	(69)
Total liabilities and equity			6,441		7,249

The directors approved the accounts on 25 April 2008

P Higgins
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital and premium £000	Other Reserves £000	Retained profits £000	Total £000
Balance at 1 July 2005	14, 15, 16	-	-	(31)	(31)
Implementation of IAS 39		-	(10)	-	(10)
Loss for the year		-	-	(36)	(36)
Changes in fair value of cash flow hedges	16	-	8	-	8
Balance at 30 June 2006 and 1 July 2006	14, 15, 16	-	(2)	(67)	(69)
Loss for the year		-	-	(147)	(147)
Changes in fair value of cash flow hedges	16	-	66	-	66
Balance at 30 June 2007	14, 15, 16	-	64	(214)	(150)

The accompanying notes are an integral part of the Financial Statements

CASHFLOW STATEMENT
For the year ended 30 June 2007

	Note	2007 £000	2006 £000
Net cash flow from operating activities	17	(131)	(20)
Net decrease in cash and cash equivalents		(131)	(20)
Cash and cash equivalents at the beginning of the year		(646)	(626)
Cash and cash equivalents at the end of the year	12	(777)	(646)

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

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

There are no critical areas which require disclosure where management have exercised judgement in applying the company's accounting policies or in determining accounting estimates

(a) Leases

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

When assets are leased under a finance lease the amount due from a lessee is recorded as a receivable at the present value of the lease payment's being the company's net investment in the lease Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the lease

When assets are leased under an operating lease the leased asset is included within fixed assets at cost and depreciated over the life of the lease on a straight line basis after taking into account anticipated residual values Operating lease rental income is recognised on a straight line basis over the life of 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

(b) Impairment

At each balance sheet date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the asset's implicit rate in the lease

(c) Taxation

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

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

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised Income tax payable on profits is recognised as an expense in the period in which those profits arise The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

(e) Derivative financial instruments

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

(f) Financial risk management

The company is exposed through its operations to a variety of financial risks that include credit risk and interest rate risk Risk management is performed by various Committees established by its ultimate parent, Lloyds TSB Group plc for the management of these risks

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(g) Fair value

The fair value of the finance lease receivables disclosed in note 9 is derived from a present value cash flow model of expected post-tax cash flows from the lease using current market interset rates and margin for the risk inherent in the lease

2 Finance Income

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

3 Operating lease income

Lease revenue	2007 £000	2006 £000
Rental from operating leases	1,360	763

There were no lease rentals receivable during the financial year contingent on events other than the passage of time (2006 Nil)

4 Finance costs

	2007 £000	2006 £000
Interest due to other group companies on bank loans and overdrafts	265	201

5 Impairment charge

	2007 £000	2006 £000
Tax rate variation	3	-

The 2007 Finance Act reduction in corporation tax from 30% to 28% resulted in a one off impairment charge This relates to a reduction in future rental income, when applied retrospectively, on leases with tax rate variation clauses In addition, deferred tax liabilities at 30 June 2007 were reduced, resulting in a credit to the tax charge

6 Loss before tax

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £2,823 The company has no employees and the directors received no remuneration in respect of their services to the company

7 Taxation

	2007 £000	2006 £000
(a) The credit on losses for the year comprises of		
Group relief (payable)/receivable on current taxation loss for the year	(2)	246
Total group relief (payable)/receivable for year	(2)	246
Deferred taxation (Note 13)	106	(231)
	104	15

NOTES TO THE FINANCIAL STATEMENTS

7 Taxation (continued)

Tax on the company's profit differs from the tax credit that would arise using the standard rate of corporation tax of 30% (2006 30%) The differences are explained below

(b) Factors affecting the tax charge for the year

	2007 £000	2006 £000
Loss on ordinary activities before taxation	(251)	(51)
Tax credit at the standard rate of corporation tax	75	15
Impact of tax rate change (Note 5)	29	-
Total tax credit for the year	104	15

Following substantive enactment of the Finance Bill on 28 June 2007, the Corporation Tax rate has changed from 30% to 28% with effect from 01 April 2008

The impact of this change on the financial accounts for the year ending 30 June 2007 is to recognise a one off adjustment of £29,000 to the deferred tax liability reflecting the adjustment required to revalue the deferred tax liability at a lower rate of tax for the remaining life of the lease

8 Fixed assets

	2007	2006
Operating lease assets Plant and Equipment	£000	£000
Cost		
As at start of year	6,443	3,686
Additions	306	2,757
At end of year	6,749	6,443
Accumulated depreciation		
As at start of year	(761)	(132)
Charge for the year	(1,361)	(629)
At end of year	(2,122)	(761)
Net book value	4,627	5,682
Amounts receivable under operating leases		
Within one year	1,401	1,353
2-5 years inclusive	2,410	3,575
After 5 years	-	-
	3,811	4,928

Equipment leased to customer under operating leases primarily relates to production equipment Included in the cost of fixed assets above are initial direct expenses of £21,000 as at 30 June 2007 (2006 £27,000) which are fully recoverable from lease payments under the terms of the lease

NOTES TO THE FINANCIAL STATEMENTS

9 Finance lease receivables

	Minimum lease payments		Present value of Minimum lease payments	
	2007	2006	2007	2006
	£000	£000	£000	£000
Amounts receivable under finance leases				
Within one year	346	259	295	208
2-5 years inclusive	634	742	584	667
After 5 years	-	-	-	-
	980	1,001	879	875
Less Unearned finance income	(101)	(126)		
Present value of minimum lease payments receivable	879	875		

	2007	2006
	£000	£000
Analysed as		
Non-current finance lease receivables	584	667
Current finance lease receivables	295	208
	879	875

The average term of the finance leases entered into is 6 years

The interest rate inherent in the leases is fixed at the contract date for all of the lease term The average effective interest rate contracted approximates 7 47% (2006 6 25%) per annum

The fair value of the company's finance lease receivables at 30 June 2007 is estimated at £901 million (2006 £900 million)

Leased assets acquired during the year amounted to £271,000 (2006 £nil) Finance lease assets disposed during the year amounted to £51,000 (2006 £nil) An impairment of £3,000 (2006 £nil) was charged during the year on the impact of the change in tax rates following enactment of the Finance Bill on 28 June 2007 Further details are disclosed in note 5 of the financial statements

10 Derivative financial instruments

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

	Contract/notional Amount	Fair values Assets	Liabilities
	£000	£000	£000
30 June 2007			
Interest rate swaps	4,343	88	-
30 June 2006			
Interest rate swaps [1]	5,246	-	3

[1] Derivative assets and liabilities for the prior period have been netted off to conform to current period presentations Such reclassifications had no effect on net income or shareholders' equity

NOTES TO THE FINANCIAL STATEMENTS

11 Amounts owed by group companies

	2007	2006
	£000	£000
Amounts falling due within one year		
Group relief receivable	220	349
Derivative financial instruments	88	4
	308	353

For further details please refer to note 18

12 Amounts owed to group companies

	2007	2006
	£000	£000
Amounts falling due within one year		
Bank overdraft	777	646
Bank borrowings	4,756	5,565
Interest payable	11	12
Derivative financial instruments	-	7
	5,544	6,230

For further details please refer to note 18

13 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the company and movements thereon during the current and the prior period

	2007	2006
	£000	£000
At start of year	513	283
Charge for the year	(106)	231
Movement via other reserves	25	(1)
At end of year	432	513

The deferred tax (credit) / charge in the income statement comprises the following temporary differences

	2007	2006
	£000	£000
Accelerated tax depreciation	(77)	231
Tax rate change (Note 5)	(29)	-
	(106)	231

NOTES TO THE FINANCIAL STATEMENTS

13 Deferred tax (continued)

Deferred tax assets are comprised as follows	2007 £000	2006 £000
Cash flow hedges	-	1

Deferred tax liabilities are comprised as follows	2007 £000	2006 £000
Cash flow hedges	25	-
Accelerated tax depreciation	407	514
	432	514

14 Share capital

	2007 £	2006 £
Authorised, allotted and issued		
Ordinary shares of £1 each	100	100

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member Lloyds TSB Bank plc is the parent company of the smallest such group of companies Copies of the group accounts of both may be obtained from the company secretary s office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN

The immediate parent company is Lloyds TSB Leasing Limited

15 Retained earnings

	2007 £000	2006 £000
At start of year	(67)	(31)
Loss for the year	(147)	(36)
At end of year	(214)	(67)

16 Other Reserves

	2007 £000	2006 £000
At the start of the year	(2)	-
Implementation of IAS 39	-	(14)
Deferred tax thereon	-	4
Change in fair value of cash flow hedges	91	11
Deferred tax thereon	(27)	(3)
Impact of tax rate change	2	-
At end of the year	64	(2)

NOTES TO THE FINANCIAL STATEMENTS

17 Notes to the cash flow statement

	2007 £000	2006 £000
Loss from operations	(251)	(51)
Operating cash flows before movements in working capital	(251)	(51)
Decrease / (Increase) in receivables	763	(1,613)
(Decrease) / Increase in payables	(770)	1,484
Cash generated by operations	(258)	(180)
Group relief received	127	160
Net cash flow from operating activities	(131)	(20)

18 Related party transactions

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

Nature of transaction	**Related party**	2007 £000	2006 £000
Group relief receivable	Intermediate parent undertaking	220	349
Derivative financial instruments	Intermediate parent undertaking	88	(3)
Bank overdraft	Intermediate parent undertaking	(777)	(646)
Bank borrowings	Intermediate parent undertaking	(4,756)	(5,565)
Interest payable	Intermediate parent undertaking	(11)	(12)

Bank borrowings are interest bearing and during the year rates of interest of up to 5 65% (2006 5 03%) were charged on bank borrowings Finance costs of £265,000 (2006 £201 000) were incurred during the year

The company paid a management fee of £42,000 (2006 £43,000) to its immediate parent company, Lloyds TSB Leasing Limited, during the year

The company received group relief of £127,000 (2006 £160,000) during the year from Lloyds TSB Bank plc