

LLOYDS TSB LEASING (NO 8) LIMITED

31 December 2007

Member of Lloyds TSB Group

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COMPANIES HOUSE

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming (Alternate A M Basing)
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London EC2V 7HN

REGISTERED NUMBER

5148237

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year the principal activity of the company was the leasing of transport equipment on finance lease, and this is likely to continue for the foreseeable future

The results of the company show a pre-tax loss of £986,000 (2006 £893,000) for the year as set out in the income statement on page 5

The company has a net deficit on shareholder's equity of £4,341,000 (2006 £2,276,000)

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 and since the year end

	Appointed	Resigned/Ceased to be a director
T J Cooke	18 June 2007	
J M Herbert	18 June 2007	
R A Isaacs	23 May 2008	
R F Pelly		26 February 2007
P Higgins		16 May 2008
A B Vowles		21 May 2008

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 of 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 31 December 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



S Slattery
Secretary

29 October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB LEASING (NO 8) LIMITED

We have audited the financial statements of Lloyds TSB Leasing (No 8) Limited for the year ended 31 December 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 31 December 2007 and of its profit 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
Chartered Accountants and Registered Auditors

Savannah House
3 Ocean Way
Ocean Village
Southampton
SO14 3TJ

31 October 2008

INCOME STATEMENT

For the year ended 31 December 2007

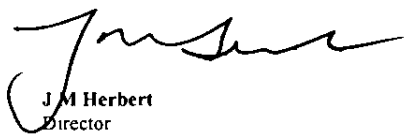
	Note	2007 £000	Restated 2006 £000
Finance income	2	12,763	7,056
Finance costs	3	(13,603)	(7,949)
		<u>(840)</u>	<u>(893)</u>
Impairment charge	4	(20)	-
Administrative Expenses		(126)	-
Foreign exchange loss		(5,505)	(21,705)
Fair value of hedging derivatives recycled from other reserves	15	5,505	21,705
		<u>(986)</u>	<u>(893)</u>
Loss before tax	5	(986)	(893)
Taxation credit	6	2,516	265
		<u>1,530</u>	<u>(628)</u>
Profit/(loss) for the year		<u>1,530</u>	<u>(628)</u>

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2007

	Note	2007 £000	£000	Restated 2006 £000	£000
Assets					
Non-current assets					
Finance lease receivables	7		244,891		194,816
Current assets					
Amounts owed by group companies	9	28,333		26,942	
Other debtors		680	29,013	52	26,994
Total assets			273,904		221,810
Liabilities					
Current liabilities					
Amounts owed to group companies	10	248,392		205,955	
Deferred fee income	11	748	249,140	782	206,737
Non-current liabilities					
Deferred fee income	11	34		31	
Deferred taxation	12	29,071	29,105	17,318	17,349
Total liabilities			278,245		224,086
Equity					
Share capital	13	-		-	
Other reserves	15	(5,056)		(1,461)	
Retained earnings	14	715	(4,341)	(815)	(2,276)
Total liabilities and equity			273,904		221,810

The directors approved the accounts on 29 October 2008


J M Herbert
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Restated other reserves £000	Restated retained profits £000	Total £000
Balance at 1 January 2006	13, 14, 15	-	513	(187)	326
Loss for the year		-	-	(628)	(628)
Changes in fair value of cash flow hedges	15	-	19,731	-	19,731
Fair value of hedging derivatives recycled to income statement	15	-	(21,705)	-	(21,705)
Balance at 31 December 2006 and 1 January 2007	13, 14, 15	-	(1,461)	(815)	(2,276)
Profit for the year		-	-	1,530	1,530
Changes in fair value of cash flow hedges	15	-	1,910	-	1,910
Fair value of hedging derivatives recycled to income statement	15	-	(5,505)	-	(5,505)
Balance at 31 December 2007	13, 14, 15	-	(5,056)	715	(4,341)

The accompanying notes are an integral part of the Financial Statements

LLOYDS TSB LEASING (NO 8) LIMITED

CASHFLOW STATEMENT

For the year ended 31 December 2007

	Note	2007 £000	Restated 2006 £000
Net cash flow from operating activities	17	(96)	561
Net decrease in cash and cash equivalents		(96)	561
Cash and cash equivalents at the beginning of the year		(1,000)	(1,561)
Cash and cash equivalents at the end of the year		(1,096)	(1,000)
Cash and cash equivalents at the end of the year comprise of			
Bank deposits	9	665	557
Bank overdraft	10	(1,761)	(1,557)
		(1,096)	(1,000)

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

In preparing these financial statements the company has adopted IFRS 7 Financial Instruments Disclosures and IAS 1 Presentation of financial statements – Capital Disclosures. The adoption of IFRS 7 and IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

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 payments being the company's net investment in the lease. Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the lease.

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 taxation 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 taxation 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 taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation 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 7 is derived from a present value cash flow model of expected cash flows from the lease using current market interest rates and margin for the risk inherent in the lease

(h) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the company's functional and presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges

(i) Prior year adjustment and restatement of comparatives

The comparatives for the year ending 31 December 2006 have been restated in accordance with IAS8 "Accounting policies, changes in accounting estimates and errors" to reflect the correct presentation of the recycling of foreign currency hedge into the income statement

In 2006, the company's presentation of the prior period comparatives have been restated to conform with current presentation changed to show the gross positions in foreign exchange movements and the impact of value of hedging derivative instruments, a further expense of £21,705,000 is recognised as foreign exchange loss which is fully offset by the equal and opposite gain in the fair value of hedging derivatives that the company has entered into

This has no impact on retained earnings for the year ending 31 December 2006

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 Finance costs

	2007 £000	2006 £000
Interest due to other group companies on bank loans and overdrafts	13,603	7,949

4 Impairment charge

	2007 £000	2006 £000
Tax rate variation	20	-

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect 1 April 2008

The change in corporation tax rate has given rise to a reduction in deferred taxation and, because of tax rate variation clauses in the leases, a reduction in the lease rentals. This reduction in rentals has given rise to a reduction in the interest rate implicit within the lease which when applied retrospectively, has produced a one off impairment of the finance lease receivable

5 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 (2006 £3,600). The company has no employees and the directors received no remuneration in respect of their services to the company

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation credit

	2007 £000	2006 £000
(a) The credit on profit/(losses) for the year comprises of		
Group relief receivable on current taxation loss for the year	15,634	14,962
Total group relief receivable for year	15,634	14,962
Deferred taxation (note 12)	(13,122)	(14,694)
Adjustment in respect of prior years	4	(3)
	<u>2,516</u>	<u>265</u>

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 credit for the year

	2007 £000	2006 £000
Loss on ordinary activities before taxation	(986)	(893)
Tax credit at the standard rate of corporation tax	295	268
Adjustment in respect of prior years	4	(3)
Impact of tax rate change	2,217	-
Total tax credit for the year	<u>2,516</u>	<u>265</u>

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect from 1 April 2008. The impact of this change on the financial accounts for the year ending 31 December 2007 is to recognise a one off adjustment to the deferred taxation liability reflecting the adjustment required to remeasure the deferred taxation liability at a lower rate of tax for the remaining life of the underlying assets

7 Finance lease receivables

	Minimum lease payments		Present value of Minimum lease payments	
	2007	Restated* 2006	2007	Restated* 2006
	£000	£000	£000	£000
Amounts receivable under finance leases				
Within one year	11,172	9,904	-	-
2-5 years inclusive	45,041	45,489	187	-
After 5 years	461,694	423,305	244,704	194,816
	<u>517,907</u>	<u>478,698</u>	<u>244,891</u>	<u>194,816</u>
Less: Unearned finance income	(273,016)	(283,882)		
Present value of minimum lease payments receivable	<u>244,891</u>	<u>194,816</u>		
	2007	2006		
	£000	£000		
Analysed as				
Non-current finance lease receivables	244,891	194,816		
Current finance lease receivables	-	-		
	<u>244,891</u>	<u>194,816</u>		

*To conform to the current year presentation the prior year comparatives for finance lease receivables have been adjusted to reclassify £813,000 of commitment fees previously recognised as finance lease receivables as deferred fee income on the balance sheet. This restatement has no impact on the results of the company or reserves.

NOTES TO THE FINANCIAL STATEMENTS

7 Finance lease receivables (continued)

The average term of the finance leases entered into is 32 years

The average effective interest rate contracted approximates 5.82% (2006: 4.73%) per annum

The fair value of the company's finance lease receivables at 31 December 2007 is estimated at £228 million (2006: £179 million)

Leased assets acquired during the year amounted to £55,141,000 (2006: £106,693,000). An impairment of £20,000 (2006: £nil) was charged during the year. Further details are disclosed in note 4 of the financial statements.

8 Derivative financial instruments

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

	Contract/notional Amount £000	Fair values Assets £000	Liabilities £000
31 December 2007			
Currency swaps	243,327	16,386	-
31 December 2006 (Restated*)			
Currency swaps	229,506	15,839	-

9 Amounts owed by group companies

	2007 £000	2006 £000 Restated*
Amounts falling due within one year		
Cash and cash equivalents	665	557
Group relief receivable	11,282	10,546
Derivative financial instruments	16,386	15,839
	28,333	26,942

For further details please refer to note 18

10 Amounts owed to group companies

	2007 £000	2006 £000 Restated*
Amounts falling due within one year		
Cash and cash equivalents	1,761	1,557
Bank borrowings	243,326	202,214
Interest payable	3,305	2,184
	248,392	205,955

For further details please refer to note 18

11 Deferred fee income

	2007 £000	2006 £000
At beginning of the year	813	834
Recognised as income for the year	(31)	(21)
At end of the year	782	813

*The prior year comparative on derivative financial assets and liabilities has been adjusted to conform to the current year presentation. The adjustment had no impact to the results of the company.

NOTES TO THE FINANCIAL STATEMENTS

12 Deferred taxation

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

	2007 £000	2006 £000
At beginning of the year	17,318	3,442
Charge for the year	13,122	14,694
Adjustment in respect of prior years	(4)	3
Movement in other reserves (note 15)	(1,365)	(821)
	<hr/>	<hr/>
At end of the year	29,071	17,318

The deferred taxation charge in the income statement comprises the following

	2007 £000	2006 £000
Accelerated tax depreciation	15,339	14,695
Impact of tax rate change	(2,217)	-
	<hr/>	<hr/>

	13,122	14,695
	<hr/>	<hr/>

	2007 £000	2006 £000
Deferred taxation assets are comprised as follows		
Cash flow hedges	(1,966)	(601)
	<hr/>	<hr/>

	2007 £000	2006 £000
Deferred taxation liabilities are comprised as follows		
Accelerated tax depreciation	31,037	17,919
	<hr/>	<hr/>

13 Share capital

	2007 £	2006 £
Authorised, allotted and issued		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

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.

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

The company's parent manages the company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company's parent may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in equity and bank borrowings as disclosed in note 10.

NOTES TO THE FINANCIAL STATEMENTS

14 Retained earnings

	2007 £000	2006 £000
At beginning of the year	(815)	(187)
Profit for the year	1,530	(628)
At end of the year	715	(815)

15 Other reserves

	2007 £000	2006 £000
At beginning of the year	(1,461)	513
Change in fair value of hedging derivatives	545	18,910
Deferred tax thereon	(164)	(5,682)
Fair value of hedging derivatives recycled to income statement	(5,505)	(21,705)
Deferred tax thereon	1,652	6,503
Impact of tax rate change	(123)	-
At end of the year	(5,056)	(1,461)

The company has undertaken a cash flow hedge in relation to its finance lease receivables. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

16 Risk management of financial instruments

The primary financial risks affecting the company are credit risk and liquidity risk and market risk (which include interest rate risk). Information of the management of these financial risks and further disclosures is given below.

In accordance with IAS 39 "Financial instruments: Recognition and measurement" Finance lease receivables are designated as loans and receivables and all other financial assets and liabilities are designated as held at amortised cost. The accounting policies note 1 describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised.

Credit risk management

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below. The

	2007 £000	2006 £000
Financial assets which are neither past due nor impaired		
Finance lease receivables	244,891	194,816
Deposits with banks	665	557
Amounts due from group company	11,282	10,546
Derivative financial instrument	16,386	15,839
Other debtors	680	52
Total credit risk exposure	273,904	221,810

Credit risk management is performed by various Committees established by its ultimate parent, Lloyds TSB Group plc. Each lease or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds TSB Group. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease.

NOTES TO THE FINANCIAL STATEMENTS

16 Risk management of financial instruments (continued)

Financial assets by credit rating	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
As at 31 December 2007							
Finance lease receivables	-	-	244,891	-	-	-	244,891
Deposits with banks	665	-	-	-	-	-	665
Amounts owed from group companies	11,282	-	-	-	-	-	11,282
Derivative financial instrument	16,386	-	-	-	-	-	16,386
Other debtors	3	-	677	-	-	-	680
Total	28,336	-	245,568	-	-	-	273,904
As at 31 December 2006							
Finance lease receivables	-	-	194,816	-	-	-	194,816
Deposits with banks	557	-	-	-	-	-	557
Amounts owed from group companies	10,546	-	-	-	-	-	10,546
Derivative financial instrument	15,839	-	-	-	-	-	15,839
Other debtors	-	-	52	-	-	-	52
Total	26,942	-	194,868	-	-	-	221,810

Under its finance lease agreements with lessees the company retains ownership rights on the equipment, ships, which collateralises the amounts receivable under the finance lease agreements

At the balance sheet date the company assesses if there is objective evidence that the finance lease receivables have become impaired. Evidence of impairment may include indications that the lessee is experiencing financial difficulty, default or delinquency in lease rentals or debt restructurings to reduce the financial burden on the lessee.

As at 31 December 2007 and 2006 there were no impairments relating to credit risk against the finance lease receivables nor any leases receivables past due on scheduled lease payments. The company's credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

Liquidity risk management

The table below analyses liabilities of the company according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date.

	Bank overdraft £000	Bank borrowings £000	Total £000
31 December 2007			
On demand	1,761	-	1,761
Up to 1 Month	-	246,630	246,630
1-3 Months	-	-	-
3-12 Months	-	-	-
1-5 Years	-	-	-
Over 5 years	-	-	-
Total	1,761	246,630	248,391
31 December 2006			
On demand	1,557	-	1,557
Up to 1 Month	-	204,398	204,398
1-3 Months	-	-	-
3-12 Months	-	-	-
1-5 Years	-	-	-
Over 5 years	-	-	-
Total	1,557	204,398	205,955

NOTES TO THE FINANCIAL STATEMENTS

16 Risk management of financial instruments (continued)

Bank borrowings and the associated interest payable upon them are borrowed short term and continually refinanced following maturity of the loan based on the outstanding finance lease receivable. All borrowings are advanced by a fellow subsidiary.

Interest rate risk management

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates. The company has no exposure to fixed rate financial instruments.

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of the lease rentals payable by the counterparty on the finance lease receivables are matched to the terms of its borrowings.

Where interest rate risk is not covered by the structure of the assets and liabilities the company will, if required, enter into interest rate swap transactions to hedge against any cash flow interest rate risk.

Interest rate sensitivity analysis – Impact on income statement

	Carrying value £000	+25 bp £000	-25 bp £000
Financial assets			
Finance lease receivables	244,891	549	(549)
Impact of taxation (30%)	-	(165)	165
Impact on financial assets after tax		384	(384)
Financial liabilities			
Bank borrowings	243,326	585	(585)
Impact of taxation (30%)	-	(176)	176
Impact on financial liabilities after tax		409	(409)
Total volatility of financial instruments		(409)	409

The sensitivity movement is based on the movement in LIBOR rates applied by the Bank of England's Monetary Policy Committee during 2007.

Currency risk

Foreign currency risk - Carrying amount As at 31 December 2007	GBP £000	USD \$000
Financial assets		
Finance lease receivables	-	486,196
Amounts owed by group companies	28,333	-
Other debtors	680	-
Financial liabilities		
Amounts owed to group companies	248,392	-
Foreign currency risk - Carrying amount As at 31 December 2006	GBP £000	USD \$000
Financial assets		
Finance lease receivables	-	377,967
Amounts owed by group companies	26,942	-
Other debtors	52	-
Financial liabilities		
Amounts owed to group companies	205,955	-

The company's exposure to foreign currency fluctuations arises due to its financial assets and borrowings in foreign currencies. The company hedges the majority of its foreign currency exposure by matching the foreign currency assets with its foreign currency liabilities.

NOTES TO THE FINANCIAL STATEMENTS

17 Notes to the cash flow statement

	2007 £000	2006 £000
Loss from operations	(986)	(893)
Less non cash items deferred fee income	(31)	(21)
Operating cash flows before movements in working capital and non-operating cash flows	(1,017)	(914)
Movement in receivables	(56,212)	(104,397)
Movement in payables	42,233	98,154
Cash generated by operations	(14,996)	(7,157)
Group relief received	14,900	7,718
Net cash flow from operating activities	(96)	561

18 Related party transactions

In respect of related party transactions, the outstanding balances receivable / (payable) as at 31 December were as follows

Nature of transaction	Related party	2007 £000	Restated* 2006 £000
Cash and cash equivalents	Intermediate parent undertaking	665	557
Group relief receivable	Intermediate parent undertaking	11,282	10,546
Derivative financial instruments	Intermediate parent undertaking	16,386	15,839
Bank overdraft	Intermediate parent undertaking	(1,761)	(1,557)
Bank borrowings	Intermediate parent undertaking	(243,326)	(202,214)
Interest payable	Intermediate parent undertaking	(3,304)	(2,184)

Bank borrowings are interest bearing and during the year rates of interest of up to 6.29% (2006: 5.12%) were charged on bank borrowings. Bank borrowings are borrowed short term from Lloyds TSB Bank plc for which the borrowings are based on the outstanding finance lease receivable over the term of the lease. Finance costs of £13,603,000 (2006: £7,949,000) were incurred during the year.

The company paid a management fee of £126,000 (2006: £nil) to its immediate parent company, Lloyds TSB Leasing Limited, during the year.

The company received group relief of £14,900,000 (2006: £7,718,000) during the year from Lloyds TSB Bank plc.

19 Future developments

The following accounting standard change will impact the company in the next financial period:

Pronouncement	Nature of change	Effective date
Revised IAS 1	Introduces changes to the presentation of the Balance sheet, income statement and cash flow	Annual periods beginning on or after 1 January 2009

The full impact of this pronouncement is being assessed by the company, this pronouncement is not expected to cause any material impact to the financial statements.

*The prior year comparative on derivative financial assets and liabilities has been adjusted to conform to the current year presentation. The adjustment had no impact to the results of the company.