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CHESHIRE HOLDINGS EUROPE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 2011

CHESHIRE HOLDINGS EUROPE LIMITED

REPORT AND ACCOUNTS
For the year ended 31 March 2011

Registered in England & Wales as an oversea company No FC026614, Cheshire Europe Limited

Registered office P O Box 63, 11-12 Esplanade, St Helier, Jersey, JE4 8PH, Jersey

DIRECTORS

R G M Conway
A Goldsmith
L J Kenworthy
P Pitale

COMPANY SECRETARY

Lloyds TSB (Jersey) Management Limited

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CHESHIRE HOLDINGS EUROPE LIMITED ("the Company")

DIRECTORS' REPORT
For the year ended 31 March 2011

The directors present their report and the audited financial statements for the year ended 31 December 2010

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The Company's principal activity is to carry on the business of an investment company There have been no changes in the nature of the Company's operations during the year, and no change to the Company's operation is expected in the foreseeable future

The profit after taxation for the year of £4,656,000 (2010 profit of £7,015,000) is set out in the Statement of Comprehensive Income on page 6 and consists mainly of interest income on the variable interest loan to Lloyds TSB Bank plc net of the related tax The decrease of £3,277,000 in net interest income during the year as compared to the prior period is due to the decrease in Libor rates Dividends on ordinary A shares of £39,000,000 (2010 £68,000,000) were paid during the period

No final dividend has been proposed by the directors (2010 £nil)

There are no significant future developments identified or planned for the Company

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds Banking Group (formerly Lloyds TSB Group) and are not managed separately Full disclosure of the Company's financial risk management objectives and policies are given in note 13 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 key performance indicators is not necessary for an understanding of the development, performance or position of the business

DIRECTORS

The names of the directors of the Company, all of whom served throughout the year and up to the date of signing the financial statements are shown on page 1

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have 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

CHESHIRE HOLDINGS EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

For the year ended 31 March 2011

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

Each of the directors, whose names are listed on page 1 confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and

- the directors' report contained above includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces

DIRECTORS' INDEMNITIES

The Directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision" This contract came into force during the financial year and remains in force It is available for inspection at the registered office of Lloyds Banking Group plc

GOING CONCERN

The Company is a subsidiary of Lloyds Banking Group plc Lloyds Banking Group plc is reliant on both short-term wholesale funding markets and utilisation of legacy government and central bank sponsored funding to support its balance sheet The directors are satisfied that it is the intention of Lloyds Banking Group plc to support the Company such that it will have access to adequate capital and liquidity resources to continue as a going concern and meet its liabilities as they fall due Accordingly, the financial statements have been prepared on a going concern basis

INDEPENDENT AUDITORS AND AUDIT INFORMATION

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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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

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

On behalf of the board

A Goldsmith
DIRECTOR

Date 29th September 2011

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF CHESHIRE EUROPE LIMITED

For the year ended 31 March 2011

We have audited the financial statements of Cheshire Europe Limited for the year ended 31 March 2011 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 3, 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 directors for management purposes to assist them in discharging their stewardship obligations and fiduciary responsibilities under the Articles of Association in accordance with our engagement letter dated 19 April 2011 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended, and

- have been properly prepared in accordance with IFRSs as adopted by the European Union

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
29 September 2011

CHESHIRE HOLDINGS EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Interest and similar income		**6,476**	9,755
Interest and similar expense		**(3)**	(5)
Net interest income	3	**6,473**	9,750
Administrative expense	4	**(5)**	(5)
Profit before taxation		**6,468**	9,745
Taxation	5	**(1,812)**	(2,730)
Profit for the year		**4,656**	7,015
Total comprehensive income for the year		**4,656**	7,015

The accompanying notes on page 10 to 19 are an integral part of the financial statements

CHESHIRE HOLDINGS EUROPE LIMITED

BALANCE SHEET
As at 31 March 2011

	Notes	2011 £'000	2010 £'000
Assets			
Current assets			
Cash and cash equivalents	12	**1,897**	4,557
Amounts owed by intermediate parent company	12	**871,920**	901,920
Other current assets	6	**863**	731
Total current assets		**874,680**	907,208
Total assets		**874,680**	907,208
Liabilities			
Non-current liabilities			
Amounts owed to other group company	12	**126**	126
Total non-current liabilities		**126**	126
Current liabilities			
Other current liability	8	**7**	7
Current tax liabilities	7	**4,546**	2,730
Total current liabilities		**4,553**	2,737
Total liabilities		**4,679**	2,863
Equity			
Share capital	9	**1**	1
Share premium	11	**695**	695
Other reserves	10	**867,306**	867,306
Retained earnings		**1,999**	36,343
Total equity		**870,001**	904,345
Total liabilities and equity		**874,680**	907,208

The directors approved the accounts on 29th September 2011

AHoldsmith

A Goldsmith
DIRECTOR

The accompanying notes on page10 to 19 form an integral part of the financial statements

CHESHIRE HOLDINGS EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2011

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 April 2009	1	695	867,306	97,328	965,330
Profit and total comprehensive income for the year	-	-	-	7,015	7,015
Dividend paid	-	-	-	(68,000)	(68,000)
Balance at 31 March 2010	1	695	867,306	36,343	904,345
Profit and total comprehensive income for the year	-	-	-	4,656	4,656
Dividend paid	-	-	-	(39,000)	(39,000)
Balance at 31 March 2011	1	695	867,306	1,999	870,001

The accompanying notes on page 10 to 19 form an integral part of the financial statements

CHESHIRE HOLDINGS EUROPE LIMITED

CASH FLOW STATEMENT
For the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before taxation		**6,468**	9,745
Adjustment for			
Interest income	3	**(6,476)**	(9,755)
Interest expense	3	**3**	5
Operating loss before working capital changes		**(5)**	(5)
Interest paid		**(3)**	(10)
Tax received/(paid)		**5**	(7,542)
Net cash used in operating activities		**(3)**	(7,557)
Cash flows from investing activities			
Interest received		**6,343**	11,392
Advances to intermediate parent company	12	**-**	(6,909)
Advances to other group companies	12	**-**	(3,000)
Repayments by intermediate parent company	12	**30,000**	75,600
Repayments by other group companies	12	**-**	3,000
Net cash generated from investing activities		**36,343**	80,083
Cash flows from financing activities			
Dividends paid		**(39,000)**	(68,000)
Net cash used in financing activities		**(39,000)**	(68,000)
Net (decrease)/increase in cash and cash equivalents		**(2,660)**	4,526
Cash and cash equivalents at beginning of the year		**4,557**	31
Cash and cash equivalents at end of the year	12	**1,897**	4,557

The accompanying notes on page 10 to 19 are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been applied consistently for each of the periods presented, unless otherwise stated

The financial statements have been prepared under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with the applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union

The preparation of the financial statements necessarily requires the exercise of judgment both in the application of accounting policies which are set out in the sections below and in the selection of assumptions used in the calculation of estimates These estimates and judgments are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors Actual results may differ from these estimates

The following pronouncement will be relevant to the Company but were not effective at 31 March 2011 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	IASB effective date
IFRS 9 Financial Instruments Classification and Measurement	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two, fair value and amortised cost The existing available for sale and held to maturity categories have been eliminated Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows	Annual periods beginning on or after 1 January 2013

The following pronouncements were effective at 31 March 2011 but did not impact the Company and have not been applied in preparing these financial statements

IAS 24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011
Improvements to IFRSs (issued May 2010)	Sets out minor amendments to IFRS standards as part of the annual improvements process The effective dates vary on a standard by standard basis	Annual periods beginning on or after 1 January 2011
Amendments to IFRS 7 'Financial Instruments Disclosures -- Disclosures-Transfers of Financial Assets'	Requires additional disclosures in respect of risk exposures arising from transferred financial assets	Annual periods beginning on or after 1 January 2011

1. ACCOUNTING POLICIES (CONTINUED)

The following pronouncement will not be relevant to the Company and was not effective at 31 March 2011

Pronouncement	Nature of change	IASB effective date
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'	Clarifies that when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor, a gain or a loss is recognised in the income statement representing the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, the fair value of the financial liability is used to measure the gain or loss where the fair value of the equity instruments cannot be reliably measured	Annual periods beginning on or after 1 July 2011

(a) Revenue recognition
Interest income and expense are recognised in the income statement for all interest–bearing financial instruments, using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided

(b) Income taxes, including deferred income taxes
Current income tax which is payable on taxable profits is recognised as an expense in the year 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 Company's financial statements Deferred tax is determined using tax rates that have been enacted or announced 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

(c) 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

(d) Loans and receivables
Loans and receivables are accounted for at amortised cost using the effective interest method Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs

(e) Borrowings
Borrowings are stated at amortised cost using the effective interest method and are classified as financial liabilities The coupon paid on these instruments is recognised in the income statement as interest expense

Redeemable shares which carry a mandatory coupon or are redeemable on a specific date, or where other terms and conditions exist which mean the Company does not have an unconditional right to avoid delivering cash, are classified as financial liabilities Irredeemable shares which carry a mandatory coupon are classified as financial liabilities The coupon or dividends paid on those instruments is recognised in the income statement as interest expense

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

1. ACCOUNTING POLICIES (CONTINUED)

(f) Dividend receivable and payable
Dividends on ordinary and preference shares treated as equity are recognised in equity in the year in which they are paid Dividends in respect of investment in ordinary shares are recognised as income in the year in which they are received

2. CRITICAL ACCOUNTING JUDGEMENTS

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial year Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

The accounting policies deemed critical to the Company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below

Impairment
The Company determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost This determination of what is significant or prolonged requires judgement In making this judgement, the Company evaluates when there is evidence of deterioration in the industry and sector performance, changes in technology, and operational and financing cash flows discounted at that asset's original effective interest rate

3. NET INTEREST INCOME

	2011	2010
	£'000	£'000
Interest Income		
Amounts owed by intermediate parent company	**6,453**	9,735
Amounts owed by other group company	**-**	4
Cash balance with intermediate parent company	**23**	16
	6,476	9,755
Interest Expense		
Dividends paid on redeemable preference shares treated as debt	**3**	5
Net interest income	**6,473**	9,750

4. ADMINISTRATIVE EXPENSE

	2011	2010
	£'000	£'000
Audit fee	**5**	5
	5	5

The number of persons employed by the Company during the year was nil (2010 nil)

5. TAXATION

(a) Analysis of tax charge for the year

	2011	2010
	£'000	£'000
UK Corporation tax - current year	**1,812**	2,730

The tax charge on the Company's profit for the year is based on a UK corporation tax rate 28% (2010 28%)

CHESHIRE HOLDINGS EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

(b) Factors affecting the tax for the year

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

	2011 £'000	2010 £'000
Profit before taxation	**6,468**	9,745
Tax charge thereon at UK corporation tax rate of 28% (2010 28%)	**1,811**	2,729
Factors affecting charges		
Non tax deductible preference dividends payable	**1**	1
Total taxation	**1,812**	2,730
Effective rate	**(28)%**	(28)%

The Finance (No 2) Act 2011 included legislation to reduce the main rate of corporation tax in the UK from 28 per cent to 26 per cent with effect from 1 April 2011 and was substantively enacted in July 2011 The proposed further reductions in the rate of corporation tax in the UK by 1 per cent per annum to 23 per cent by 1 April 2014 are expected to be enacted separately each year starting in 2012

6. OTHER CURRENT ASSETS

	2011 £'000	2010 £'000
Interest receivable on amounts owed by intermediate parent company	**863**	731
	863	731

7. CURRENT TAX PAYABLES

	2011 £'000	2010 £'000
Current tax payable	**4,546**	2,730
	4,546	2,730

8. OTHER CURRENT LIABILITIES

	2011 £'000	2010 £'000
Interest payable	**2**	2
Audit fees payable	**5**	5
	7	7

9. SHARE CAPITAL

	2011 Number of shares	2010 Number of shares	2011 £	2010 £
Issued and fully paid:				
Ordinary shares of US $ 1 each	**10**	10	**7**	7
Redeemable shares of US$0 01 each	**100,000**	100,000	**696**	696
Non-cumulative preference shares of £1 each	**126,420**	126,420	**126,420**	126,420
			127,123	127,123
Less preference shares treated as debt (note 12)			**(126,420)**	(126,420)
			703	703

The characteristics of each ordinary share of US$1 ("ordinary shares") are as follows:

- Carry no rights to dividends and hence are classified as equity in line with IAS 32
- Rank senior in priority to the redeemable shares, but not the preference shares, on a return of capital
- The ordinary shares do not confer any right to participate in the assets of the Company

The characteristics of each redeemable share of US$0.01 ("redeemable shares") are as follows:

- Carry the rights to dividends after preference shares
- Entitled to payment after preference and ordinary shares on a return of capital
- The redeemable shares are redeemable at the option of the shareholder
- The redeemable shares will be redeemed at such sum as may be agreed between the Company and the holder of the redeemable share

The characteristics of each preference share of £1 ("preference shares") are as follows:

- Carry the rights to a single non-cumulative preferential dividend in priority to the redeemable shares
- Rank senior to the ordinary shares and redeemable shares on a return of capital
- Carry no voting rights except over proposals at general meetings abrogating, varying or modifying any of the rights or privileges of the holders of the preference shares

10. OTHER RESERVES

	2011 £'000	2010 £'000
At beginning and end of the year	867,306	867,306

On 20 December 2005, Cheshire Receivables Assignment Co LLC, the immediate parent company at that time, made a gratuitous cash contribution to the Company for an amount of £867,306,359 The contribution is unconditional and does not constitute any form of debt owed by the Company The contribution is available for distribution to the shareholders, subject to Jersey law and the articles of association of the Company

11. SHARE PREMIUM

	2011 £'000	2010 £'000
At beginning and end of the year	695	695

12. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Portland Funding Limited The Company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Bank plc), which is the parent undertaking of the largest group of undertakings for which group accounts 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 group accounts of both may be obtained from the Company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN The Company's related parties include its ultimate parent company, fellow subsidiaries and the Company's key management personnel Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors

Transactions with key management personnel
There were no transactions between the Company or its subsidiaries with key management personnel during the current year Key management personnel are employed by other companies in the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities with the Group

Amounts owed by intermediate parent company

	£'000	£'000
At beginning of the year	**901,920**	970,611
Advances during the year	**-**	6,909
Repayments during the year	**(30,000)**	(75,600)
At end of the year	**871,920**	901,920
Representing		
Lloyds TSB Bank plc	**871,920**	901,920
Interest Income earned (note 3)	**6,453**	9,735
Interest Income receivable (note 6)	**863**	731

Interest on the loans to Lloyds TSB Bank plc is receivable at a variable Libor based rate The loans advanced to Lloyds TSB Bank plc are repayable on 16 May 2011 No impairment has arisen in respect of these loans and accordingly no provision has been recognised The book value of the loan is considered to approximate its fair value

Amounts owed by other group company

	2011	2010
	£'000	£'000
Advances during the year	**-**	3,000
Repayments during the year	**-**	(3,000)
At end of the year	**-**	-
Interest Income earned (note 3)	**-**	4

On 13 October 2009 the Company advanced £1,000,000 and £2,000,000 to Lloyds TSB Investment (Cayman) Limited and Lovat Funding (Cayman) Limited respectively On 13 January 2010 these loans were repaid in full Interest on the loans to Lloyds TSB Bank plc was receivable at a variable Libor based rate

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2011

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Amount owed to other group company

	2011 £'000	2010 £'000
At beginning and end of the year	126	126
Representing		
Gouda LLC	126	126
Interest expense during the year (note 3)	3	5
Interest payable (note 8)	2	2

The above amount relates to issued non-cumulative preference shares of £1 each treated as debt in accordance with IAS 39 (see note 9)

Other transactions with intermediate parent company

	2011 £'000	2010 £'000
Lloyds TSB Bank plc - cash and cash equivalents	1,897	4,557
Interest earned (note 3)	23	16

13. FINANCIAL RISK MANAGEMENT

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates The Company makes loans to other Lloyds Banking Group companies at floating rates and for various years

(a) Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and interest rate sensitive assets From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the group and are not managed separately The scenarios are run only for assets and liabilities that represent the major interest-bearing positions Based on the simulations performed, the full year impact on post-tax profit of a 0 25% shift would be a maximum increase or decrease of approximately £1,573,000 (2010 £1,631,000)

The table below summarises the repricing mismatches of the Company's non-trading assets and liabilities Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date Expected repricing and maturity dates do not differ significantly from the contract dates

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 March 2011	**1 month or less £'000**	**3 months or less but over 1 month £'000**	**1 year or less but over 3 months £'000**	**5 years or less but over 1 year £'000**	**Over 5 years £'000**	**Non-interest bearing £'000**	**Total £'000**
Assets							
Amounts owed by intermediate parent company	-	**871,920**	-	-	-	-	**871,920**
Cash and cash equivalents	**1,897**	-	-	-	-	-	**1,897**
Other current assets	-	-	-	-	-	**863**	**863**
Total Assets	**1,897**	**871,920**	-	-	-	**863**	**874,680**
Liabilities							
Amounts owed to other group company	-	**126**	-	-	-	-	**126**
Other current liabilities	-	-	-	-	-	7	7
Current tax liabilities	-	-	-	-	-	**4,546**	**4,546**
Total Liabilities	-	**126**	-	-	-	**4,553**	**4,679**
Total interest sensitivity gap	**1,897**	**871,794**	-	-	-	**(3,690)**	**870,001**

As at 31 March 2010	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Amounts owed by intermediate parent company	-	901,920	-	-	-	-	901,920
Cash and cash equivalents	4,557	-	-	-	-	-	4,557
Other current assets	-	-	-	-	-	731	731
Total Assets	4,557	901,920	-	-	-	731	907,208
Liabilities							
Amounts owed to other group company	-	126	-	-	-	-	126
Other current liabilities	-	-	-	-	-	7	7
Current tax liabilities	-	-	-	-	-	2,730	2,730
Total Liabilities	-	126	-	-	-	2,737	2,863
Total interest sensitivity gap	4,557	901,794	-	-	-	(2,006)	904,345

(b) Fair Value of Financial Assets and Liabilities

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

Wherever possible, fair values have been estimated using quoted market prices for instruments held Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics In certain cases, where no ready markets currently exist, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been developed to estimate what the approximate fair value of such instruments might be These estimation techniques are necessarily subjective in nature and involve several assumptions

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company provided loans and advances to other Lloyds Banking Group companies at variable rates The fair value of these loans and advances is not significantly different from the carrying value as disclosed in note 12 The fair values are at a specific date and may be significantly different from the amounts which will be paid or received on maturity or settlement date

(c) Measurement Basis of Financial Assets and Liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised The following table analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading

As at 31 March 2011

	Loans and receivables	**Held at amortised cost**	**Total**
	£'000	**£'000**	**£'000**
Assets			
Amounts owed by intermediate parent company	**871,920**	**-**	**871,920**
Cash and cash equivalent	**-**	**1,897**	**1,897**
Other current assets	**-**	**863**	**863**
Total financial assets	**871,920**	**2,760**	**874,680**
Liabilities			
Amounts owed to other group companies	**-**	**126**	**126**
Other current liabilities	**-**	**7**	**7**
Total financial liabilities	**-**	**133**	**133**

As at 31 March 2010

	Loans and receivables	Held at amortised cost	Total
	£'000	£'000	£'000
Assets			
Amounts owed by intermediate parent company	901,920	-	901,920
Cash and cash equivalent	-	4,557	4,557
Other current assets	-	731	731
Total financial assets	901,920	5,288	907,208
Liabilities			
Amounts owed to other group companies	-	126	126
Other current liabilities	-	7	7
Total financial liabilities	-	133	133

(d) Credit Risk

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations is detailed below The maximum exposure to loss is considered to be the balance sheet carrying amount as at the year end

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For the year ended 31 March 2011

13. FINANCIAL RISK MANAGEMENT (CONTINUED)

	2011	2010
	£'000	£'000
Amounts owed by intermediate parent company	**871,920**	901,920
Cash and cash equivalent	**1,897**	4,557
Other current assets	**863**	731
Total credit risk exposure	**874,680**	907,208

The current rating of the intermediate parent company of Lloyds TSB Bank plc, is Aa3 as per Moody's

(e) Liquidity Risk

The table below analyse liabilities of the Company on an undiscounted future cash flow basis according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date Balances with no fixed maturity are included in the over 5 years category The principal amount for preference shares is included within the over 5 years column, interest of approximately £5,000 (2010 £5,000) per annum which is payable in respect of the preference shares for as long as they remain in issue is not included beyond 5 years

As at 31 March 2011	**On demand £'000**	**Up to 1 month £'000**	**1 - 3 months £'000**	**3 - 12 months £'000**	**1 - 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Non-current liabilities							
Amounts owed to other group company	-	-	**2**	-	-	**126**	**128**
Current liabilities							
Other current liabilities	**5**	-	-	-	-	-	**5**
Total Liabilities	**5**	**-**	**2**	**-**	**-**	**-**	**133**

As at 31 March 2010	On demand £'000	up to 1 month £'000	1 - 3 months £'000	3 - 12 months £'000	1 - 5 years £'000	Over 5 years £'000	Total £'000
Non-current liabilities							
Amounts owed to other group company	-	-	2	-	-	126	128
Current liabilities							
Other current liabilities	5	-	-	-	-	-	5
Total Liabilities	5	-	2	-	-	126	133

(f) Capital Risk Management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt