LLOYDS TSB LEASING LIMITED

31 December 2012

Member of Lloyds Banking Group

Registered Number 1004792

DIRECTORS

C G Dowsett
G A Fox
S C Gledhill
P J Sherrington
R O Williams

COMPANY SECRETARY

M A A Johnson

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED COMPANY NUMBER

1004792

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

Dunng the year, the pnncipal activity of the company was the leasing of plant and equipment, the holding of investments in leasing and property investment subsidiaries and this is likely to continue for the foreseeable future

The results of the company show a profit before taxation of £11,127,000 (2011 £13,844,000) for the year as set out in the income statement on page 5

The company has shareholder's equity of £139,818,000 (2011 £130,745,000)

Dunng the year a lessee went in to Administration Finance lease receivables have therefore been impaired by £6,085,000

DIVIDENDS

The directors did not authorise or pay any dividends dunng the year (2011 £nil)

DIRECTORS

The names of the directors of the company who were in office at the date of the signing of financial statements are shown on page 1 The following changes in directors have taken place dunng and since the year end

	Appointed	Resigned/ceased to be a director
A J Cumming	-	26 April 2012
J M Herbert	-	26 April 2012
S R Shelley	26 April 2012	21 August 2012
K J MacDonald	26 April 2012	21 March 2013
C G Dowsett	26 April 2012	-
S C Gledhill	26 April 2012	-
T J Cooke	-	14 August 2012
R A Issacs	-	13 December 2012
P J Sherrington	22 May 2013	-
G A Fox	29 May 2013	-
R O Williams	29 May 2013	-

No director had any interest in any material contract or arrangement with the company dunng or at the end of the year

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DIRECTORS' INDEMNITIES

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision" These deeds are in force dunng the whole of the financial year (or from the date of appointment in respect of the directors who join the board dunng the financial year) The indemnities remain in force at the date of signing these financial statements Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc

REPORT OF THE DIRECTORS (CONTINUED)

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

AUDITORS' APPOINTMENT

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

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 '22 - Risk management of financial instruments' 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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

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

On behalf of the board

C G Dowsett
Director

Date 05/09/13

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS TSB LEASING LIMITED

We have audited the financial statements of Lloyds TSB Leasing Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders' Equity, the Cash Flow Statement, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report of the directors to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

Date 05/04/13

INCOME STATEMENT
For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Investment income	2	282	-
Finance income	3	16,165	20,600
Finance costs	4	(5,957)	(6,334)
		10,490	14,266
Other operating income	5	7,126	1,174
Impairment charge	6	(6,154)	(782)
Administration expenses	7	(318)	(818)
Foreign exchange (loss)/gain		(17)	4
Profit before taxation	8	11,127	13,844
Taxation charge	9	(3,602)	(6,163)
Profit after tax for the year attributable to owners of the parent		7,525	7,681

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Profit after tax for the year	21	7,525	7,681
Other Comprehensive Income			
Movement in cash flow hedges, net of tax - changes in fair value taken to equity	20	1,548	331
Total comprehensive income for the year attributable to owners of the parent		9,073	8,012

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2012

	Note	2012 £000	2011 £000
Assets			
Non-current assets			
Property, plant and equipment	10	234	299
Investment in subsidiary undertakings	11	36,497	39,163
Finance lease receivables	13	10,493	24,353
Hire purchase receivables	14	9,974	12,750
Total non-current assets		57,198	76,565
Current assets			
Finance lease receivables	13	4,789	5,527
Hire purchase receivables	14	2,434	2,419
Amounts owed by group companies	15	486,283	512,147
Other debtors		6,850	183
Total current assets		500,356	520,276
Total assets		557,554	596,841
Liabilities			
Current liabilities			
Amounts owed to group companies	16	413,694	463,006
Other creditors		4,009	3,007
Total current liabilities		417,703	466,013
Non-current liabilities			
Deferred taxation	18	33	83
Total non-current liabilities		33	83
Equity			
Share capital	19	2,000	2,000
Other reserves	20	(1,562)	(3,110)
Retained earnings	21	139,380	131,855
Total equity		139,818	130,745
Total liabilities and equity		557,554	596,841

The financial statements on pages 5 to 25 were approved by the Board of Directors on 05/09/13 and signed on its behalf by

C G Dowsett

C G Dowsett
Director

Registered Number 1004792

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 December 2010	19, 20 21	2,000	(3,441)	124,174	122,733
Total comprehensive income for the year					
Profit for the year	21	-	-	7,681	7,681
Change in fair value of derivatives, net of tax	20	-	331	-	331
Balance at 31 December 2011	19, 20, 21	2,000	(3,110)	131,855	130,745
Total comprehensive income for the year					
Profit for the year	21	-	-	7,525	7,525
Change in fair value of derivatives, net of tax	20	-	1,548	-	1,548
Balance at 31 December 2012	19, 20, 21	2,000	(1,562)	139,380	139,818

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT
For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	23	356	26,247
Investing activities			
Movement in bank borrowings		10,138	57,261
Disposal of invesments		2,666	-
Proceeds from sale of subsidiary undertaking		6,597	-
Net cash flow from investing activities		19,401	57,261
Financing activities			
Dividends repaid to subsidiary undertaking		-	(998)
Net cash flow from financing activities		-	(998)
Net movement in cash and cash equivalents		19,757	82,510
Cash and cash equivalents at beginning of the year		220,627	138,117
Cash and cash equivalents at end of the year		240,384	220,627
Cash and cash equivalents are comprised of			
Cash at bank	15	979	1,657
Bank deposits	15	429,305	448,748
Bank overdraft	16	(189,900)	(229,778)
		240,384	220,627

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 These policies have been consistently applied to all the years presented, unless otherwise stated

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention, as modified by the revaluation of financial instruments (including derivatives) at fair value

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future The validity of this assumption depends on the continuing financial support provided by Lloyds TSB Bank plc After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis

In preparing these financial statements the company has adopted IAS 1 (revised) Presentation of financial statements The adoption of IAS 1 (revised) 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

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates Estimates, judgements and assumptions 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 Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected 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 regularly reviews the portfolio of financial assets for impairment In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets Where this is the case, the impairment loss is measured in accordance with note 1(f) below

1(a) Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation Depreciation is calculated on a straight line basis over the estimated useful life of the asset less any residual value of the assets over their useful lives as follows -

Fixtures and fittings	10 - 20 years
Other equipment	2 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use

1(b) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at historical cost, less any provision for impairment, or fair value

Dividend income is recognised when the right to receive payament is established

1(c) Investments in associates

Investments in associates represents entities over which the Company has significant influence and that is neither a subsidiary or a joint venture The group's share of results from associated entities, generally based on auditied accounts, are included in the groups consolidated financial statements using the equity method of accounting The share of any losses is restricted to a level that reflects an obligation to fund such losses

1 Accounting polices (continued)

1(d) Financial assets and liabilities at fair value through the profit or loss

Other financial assets and liabilities at fair value through profit or loss are designated as such by management upon initial recognition Such assets and liabilities are carried in the balance sheet at their fair value and gains and losses arising from changes in fair value are recognised in the income statement within net trading income in the period in which they occur Financial assets and liabilities are designated as at fair value through profit or loss on acquisition, when doing so results in more relevant information because either

- it eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on them on a different basis, or
- the assets and liabilities are part of a group which is managed, and its performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy with management information also prepared on this basis, or
- where the assets and liabilities contain one or more embedded derivatives that significantly modify the cash flows arising under the contract and would otherwise need to be separately accounted for

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively If the market is not active the company establishes a fair value by using valuation techniques These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants

1(e) 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

Initial direct costs attributed to negotiating and arranging a finance lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term Fees and commissions received are deferred and recognised as an adjustment to the effective interest rate on the lease over the lease term

Hire purchase receivables

Assets hired to customers are classified as hire purchase debtors if the hire purchase agreements provide the customer with an option to acquire title to the asset upon the fulfilments of agreed conditions and which is expected to be exercised When assets are financed under a hire purchase agreement the amount due from the hirer is recorded as a receivable at the present value of the future payments being the company's net investment in the asset Hire purchase income is recognised over the hire term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the asset over the hire term

Initial direct costs attributed to negotiating and arranging the hire purchase are included in the initial measurement of the hire purchase debtor thus reducing the amount of income recognised over the hire term

A change in corporation tax can give rise to a reduction or increase in deferred tax Due to tax rate variation clauses in some of the company's leases this may lead to a reduction or increase in lease rentals This change in the lease rentals can give rise to a change in the interest rate implicit in the lease which when applied retrospectively, produces a one-off adjustment of the finance lease receivables carrying value This one-off adjustment is reported as either an impairment or other income in the Statement of Comprehensive Income or Income Statement

1(f) 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

The criteria that the company uses to determine that there is objective evidence of an impairment loss include

- Delinquency in contractual payments of principal and/or interest,
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty,
- Restructuring of debt to reduce the burden on the borrower,
- Breach of loan covenants or conditions, and
- Initiation of bankruptcy

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

1 Accounting polices (continued)

1(f) Impairment (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised as a credit to the income statement

1(g) 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 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 Deferred tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

1(h) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder

1(i) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

1(j) Fair value

The fair value of finance lease receivables 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 risks inherent in the lease

1(k) 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

Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement

Derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated

The company designates derivatives as hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

1(k) Derivative financial instruments (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, and 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

The company documents at the inception of the transaction the relationship between hedging instrument and the hedged item The company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cashflows of hedged items

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months

1(l) 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

2 Investment income

	2012 £000	2011 £000
Dividends received during the year	282	-
	282	-

Dividends were received from Wyndcroft Limited (£131,000), Chasecourt Limited (£130,000) and Lloyds Investment Securities Limited (£21,000)

3 Finance income

	2012 £000	2011 £000
Finance lease income	2,338	2,800
Interest receivable on deposits from other group companies	12,982	16,835
Hire purchase income	807	916
Other finance income	38	49
	16,165	20,600

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

4 Finance costs

	2012 £000	2011 £000
Interest payable on bank loans and overdraft to other group companies	4,022	4,025
Interest rate swaps Cashflow hedges	1,935	2,309
	5,957	6,334

5 Other operating income

	2012 £000	2011 £000
Other fees receivable	529	1,169
Gain on sale of subsidiary undertaking	6,597	-
Gain on sale of finance lease assets	-	5
	7,126	1,174

One of the company's subsidiary's, Lloyds TSB General Leasing (No 8) Limited, was disposed of resulting in a gain of £6,597,000

6 Impairment charge

	2012 £000	2011 £000
Tax rate variation	69	119
Impairment of investments	-	663
Impairment of finance lease receivables	6,085	-
	6,154	782

The reduction in the main rate of corporation tax from 25% to 24% and then to 23% is disclosed further in note 18

The change in the rates of corporation tax 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 an impairment of the finance lease receivables

Finance lease receivables have been impaired due to a lessee going in to Administration

7 Administration expenses

	2012 £000	2011 £000
Professional fees and other related expenses	253	749
Depreciation of property, plant and equipment (Note 10)	65	69
	318	818

8 Profit before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £8,500 (2011 £8,500) The company has no employees and the directors received no remuneration in respect of their services to the company

9 Taxation charge

	2012 £000	2011 £000
The taxation charge for the year comprises		
Current tax payable on profit for the year	(1,648)	(4,269)
Adjustment in respect of prior year	(2,583)	(287)
Total current tax payable for the year	(4,231)	(4,556)
Deferred taxation (Note 18)	568	535
Adjustment in respect of prior year (Note 18)	(1)	(2,249)
Impact of tax rate change (Note 18)	62	107
Total taxation charge for the year	(3,602)	(6,163)

Where taxation on the company's profit for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 24 5% (2011 26 5%), the differences are explained below

	2012 £000	2011 £000
Profit before taxation	11,127	13,844
Tax at standard rate of corporation tax	(2,726)	(3,669)
Disallowed items	30	(286)
Impact of tax rate change	62	107
Adjustment in respect of prior year	(2,584)	(2,536)
Book gains covered by capital losses	1,616	221
Total taxation charge	(3,602)	(6,163)

10 Property, plant and equipment

	2012 £000	2011 £000
Original cost		
At beginning of the year	566	710
Fixed assets written out	-	(144)
At end of the year	566	566
Depreciation		
At beginning of the year	(267)	(342)
Charge for the year	(65)	(69)
Depreciation written out	-	144
At end of the year	(332)	(267)
Net book value at end of the year	234	299

11 Investment in subsidiary undertakings

	2012 £000	2011 £000
At beginning of the year	39,163	38,828
Additions during the year	-	998
Disposals during the year	(2,666)	-
Impairment of investment	-	(663)
At end of the year	36,497	39,163

Investments in subsidiaries are carried at cost less provision for impairment, or fair value

The principal subsidiary undertakings of the company all of which are registered in England and Wales are listed below The principal activity of these subsidiaries is the leasing of plant and equipment

Company name	Ownership & Voting (%)	Accounting reference date
Lloyds Nimrod Machinery Finance Limited	100	30 September 2012
Lloyds TSB Leasing (No 8) Limited	100	31 December 2012
Lloyds TSB Corporate Asset Finance (No 4) Limited	100	31 December 2012
Lloyds TSB Equipment Leasing (No 7) Limited	100	31 December 2012
Lloyds TSB Equipment Leasing (No 1) Limited	100	30 September 2012
Lloyds TSB Corporate Asset Finance (No 1) Limited	100	31 March 2012
Lloyds TSB Equipment Leasing (No 10) Limited	100	31 December 2012
Lloyds General Leasing Limited	100	31 December 2012

12 Investment in associates

	2012 £000	2011 £000
At end of the year	-	-
	-	-

Investments in associates represent the company's 24% interest in Omnium Leasing Company Omnium Leasing Company has a profit of £93,000, revenue of £114,000, assets of £113,000 and liabilities of £20,000 for the year ended 31 December 2012

13 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
Amounts receivable under finance leases	2012 £000	2011 £000	2012 £000	2011 £000
Within 1 year	5,849	7,810	4,789	5,527
2 - 5 years inclusive	11,002	24,745	10,493	21,669
After 5 years	-	2,964	-	2,684
	16,851	35,519	15,282	29,880
Less Unearned finance income	(1,569)	(5,639)		
Present value of minimum lease payments receivable	15,282	29,880		
Analysed as				
Non-current finance lease receivable	10,493	24,353		
Current finance lease receivables	4,789	5,527		
	15,282	29,880		

13 Finance lease receivables (continued)

The fair value of the company's finance lease receivables at 31 December 2012 is estimated at £18,315,000 (2011 £33,914,000)

14 Hire purchase receivables

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
Amounts receivable under hire purchase	£000	£000	£000	£000
Within 1 year	3,096	3,247	2,434	2,419
2 - 5 years inclusive	11,191	14,715	9,974	12,750
After 5 years	-	-	-	-
	14,287	17,962	12,408	15,169
Less Unearned finance income	(1,879)	(2,793)		
Present value of minimum lease payments receivable	12,408	15,169		
Analysed as				
Non-current hire lease receivable	9,974	12,750		
Current hire lease receivables	2,434	2,419		
	12,408	15,169		

The fair value of the company's hire lease receivables at 31 December 2012 is estimated at £12,849,000 (2011 £15,194,000)

15 Amounts owed by group companies

	2012	2011
	£000	£000
Cash at bank	979	1,657
Bank deposits	429,305	448,748
Interest receivable	935	1,403
Amounts due from group companies	55,064	60,339
	486,283	512,147

For further details please refer to note 24

16 Amounts owed to group companies

	2012	2011
	£000	£000
Bank overdraft	189,900	229,778
Bank borrowings	89,047	63,993
Interest payable	355	606
Amounts due to group companies	116,662	137,622
Amounts due to parent undertakings	4,268	4,384
Group relief payable	11,085	22,119
Derivative financial instruments (Note 17)	2,377	4,504
	413,694	463,006

For further details please refer to note 24

17 Derivative financial instruments

Derivative financial instruments include interest rate swaps An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts The fair values of these derivative financial instruments are based on discounted cash flow models at 31 December 2012

The derivatives used by the company are designated as cash flow hedges, these hedge against fluctuations in market interest rates and are detailed below

The cash flow hedges were highly effective through out the year and no ineffectiveness was recognised in profit or loss during the year

Interest payments arising on borrowings are settled on a quarterly basis

	Contractual/ Notional amount £000	Fair Values Liabilities £000
31 December 2012		
Interest rate swaps	30,664	2,377
	30,664	2,377
31 December 2011		
Interest rate swaps	48,894	4,504
	48,894	4,504

18 Deferred taxation

	2012 £000	2011 £000
At beginning of the year	(83)	1,772
Deferred taxation credit for the year	568	535
Adjustment in respect of prior years	(1)	(2,249)
Impact of tax rate change thereon	62	107
Movement in other reserves	(521)	(153)
Impact of tax rate change on deferred tax on cashflow hedges	(58)	(95)
At end of the year	(33)	(83)

The deferred taxation credit/(charge) in the income statement comprises the following

	2012 £000	2011 £000
Accelerated tax depreciation	629	(1,607)
Total deferred taxation credit/(charge)	629	(1,607)

18 Deferred taxation (continued)

Deferred taxation assets and liabilities are comprised as follows

	2012 £000	2011 £000
Deferred taxation assets		
Cashflow hedges	547	1,127
Total deferred taxation assets	547	1,127

	2012 £000	2011 £000
Deferred taxation liability		
Accelerated tax depreciation	(580)	(1,210)
Total deferred taxation liabilities	(580)	(1,210)
Total deferred taxation liabilities	(33)	(83)

On 21 March 2012, the Government announced a reduction in the rate of corporation tax to 24% with effect from 1 April 2012 This reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012 In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 The change in the main rate of corporation tax to 23% has resulted in a reduction in the Company's net deferred tax liability at 31 December 2012 of £4,000, comprising a £62,000 credit included in the income statement and a £58,000 charge included in equity

19 Share capital

During the year, as permitted by the Companies Act 2006, the Company removed references to authorised share capital from its articles of association

	2012 £	2011 £
Allotted, issued and fully paid		
Ordinary shares of £1 each	2,000,000	2,000,000

The company's immediate parent company is Lloyds TSB Bank plc The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also 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 company of the smallest such group of undertakings Copies of the group accounts may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN

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 shareholder 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 the shareholder, return capital to the shareholder, 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

20 Other reserves

Other reserves relates to gains and losses recognised on cashflow hedges

	2012 £000	2011 £000
At beginning of the year	(3,110)	(3,441)
Change in fair value of cash flow hedges	2,127	579
Deferred taxation thereon	(521)	(153)
Impact of tax rate change	(58)	(95)
At end of the year	(1,562)	(3,110)

21 Retained earnings

	2012 £000	2011 £000
At beginning of the year	131,855	124,174
Profit after tax for the year	7,525	7,681
At end of the year	139,380	131,855

22 Risk management of financial instruments

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

In accordance with IAS39 "Financial instruments Recognition and measurement", the following financial instruments, excluding derivatives, are classified as shown

At 31 December 2012	Held at cost/amortised cost £000	Held at Fair Value £000	Loans or receivables £000	Total £000
Assets				
Finance lease receivables	-	-	15,282	15,282
Hire purchase receivables	-	-	12,408	12,408
Amounts owed by group companies	486,283	-	-	486,283
Other debtors	6,850	-	-	6,850
Total financial assets	493,133	-	27,690	520,823
Liabilities				
Amounts owed to group companies	411,317	2,377	-	413,694
Other creditors	4,009	-	-	4,009
Total financial liabilities	415,326	2,377	-	417,703

22 Risk management of financial instruments (continued)

At 31 December 2011	Held at cost/amortised cost £000	Held at Fair Value £000	Loans or receivables £000	Total £000
Assets				
Finance lease receivables	-	-	29,880	29,880
Hire purchase receivables	-	-	15,169	15,169
Amounts owed by group companies	512,147	-	-	512,147
Other debtors	183	-	-	183
Total financial assets	512,330	-	45,049	557,379
Liabilities				
Amounts owed to group companies	458,502	4,504	-	463,006
Other creditors	3,007	-	-	3,007
Total financial liabilities	461,509	4,504	-	466,013

Credit risk management

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation

The maximum credit risk exposure of the group 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 31 December 2012

Financial assets which are neither past due nor impaired for credit risk	2012 £000	2011 £000
Finance lease receivables	15,282	29,880
Hire purchase receivables	12,408	15,169
Amounts owed by group companies	486,283	512,147
Other debtors	6,850	183
Total credit risk exposure	520,823	557,379

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking 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 Banking Group plc Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease The table below reflects the credit rating of the financial assets portfolio net of any financial guarantees received

Financial assets by credit rating

At 31 December 2012	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
Finance lease receivables	-	-	15,282	-	-	-	15,282
Hire purchase receivables	-	-	-	-	12,408	-	12,408
Amounts owed by group companies	-	-	486,283	-	-	-	486,283
Other debtors	-	-	-	-	-	6,850	6,850
Total	-	-	501,565	-	12,408	6,850	520,823

22 Risk management of financial instruments (continued)

Financial asset by credit raiting (continued)

At 31 December 2011	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
Finance lease receivables	23,001	-	-	-	6,879	-	29,880
Hire purchase receivables	-	-	-	-	15,169	-	15,169
Amounts owed by group companies	-	-	512,147	-	-	-	512,147
Other debtors	-	-	-	-	-	183	183
Total	23,001	-	512,147	-	22,048	183	557,379

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty

At 31 December 2012 there was an impairment relating to credit risk against finance lease receivables of £6,085,000 (2011 £nil) on scheduled future lease payments reducing the lease receivable on that lease to £nil The credit risk exposure under short–term debtors, deposits and other financial assets are represented by the book values in the above table

For financial assets held at amortised cost the fair value approximates to their carrying values, except for leases whose fair value is disclosed in note 13

Fair Value Estimation

The table below provides an analysis of the financial assets and liabilities of the company's that are carried at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable as defined below

- Quoted prices (unadjusted) in active markets of identical assets and liabilities (level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

Valuation heirachy 31 December 2012	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	2,377	-	2,377
Financial liabilities	-	2,377	-	2,377

31 December 2011	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	4,504	-	4,504
Financial liabilities	-	4,504	-	4,504

NOTES TO THE FINANCIAL STATEMENTS

22 Risk management of financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset

The liquidity profile of financial liabilities at year end was as follows

At 31 December 2012	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Derivatives £000	Total Liabilities £000
On demand	189,900	-	19,362	-	209,262
Up to 1 month	-	-	-	2,377	2,377
1-3 months	-	-	-	-	-
3-12 months	-	206,064	-	-	206,064
1-5 years	-	-	-	-	-
Over 5 years	-	-	-	-	-
Total	189,900	206,064	19,362	2,377	417,703

At 31 December 2011	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Derivatives £000	Total Liabilities £000
On demand	229,778	-	29,510	-	259,288
Up to 1 month	-	-	-	4,504	4,504
1-3 months	-	-	-	-	-
3-12 months	-	202,221	-	-	202,221
1-5 years	-	-	-	-	-
Over 5 years	-	-	-	-	-
Total	229,778	202,221	29,510	4,504	466,013

The fair value of financial liabilities approximates their carrying values

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc

Other liabilities are repayable on demand

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 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 its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio As such the company has no material exposure to financial risk arising from changes in market interest rates Interest rate risk is hedged using interest rate swaps

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies The company hedges the majority of its foreign currency exposure by taking out foreign currency swaps where necessary The fair value of any currency swap is included within derivative financial instruments if applicable

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, the change to post tax profit would be immaterial

22 Risk management of financial instruments (continued)

Foreign currency risk (continued)

Below are the assets and liabilities of the company disclosed in US Dollars

	2012 $000	2011 $000
Financial assets		
Hire purchase receivables	20,060	23,443
Amounts owed by group companies	2	3
	20,062	23,446
Financial liabilities		
Amounts owed to group companies	20,037	23,416
	20,037	23,416

23 Notes to the cash flow statement

	2012 £000	2011 £000
Profit from operations	11,127	13,844
Add/(less) non cash items		
Depreciation	65	69
Impairment charge	6,154	782
Gain on sale of subsidiary undertaking	(6,597)	-
Foreign exchange movement	17	(4)
Operating cash flows before movements in working capital	10,766	14,691
Movement in receivables	3,853	11,328
Movement in payables	1,002	(20)
Cash generated by operations	15,621	25,999
Group relief (paid)/received	(15,265)	248
Net cash flow from operations	356	26,247

24 Related parties

The company's related parties include other companies in the Lloyds Banking Group 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

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

Nature of transaction	Related party	2012 £000	2011 £000
Cash at bank	Fellow subsidiary undertaking	979	1,657
Bank deposits	Fellow subsidiary undertaking	429,305	448,748
Amounts due from group companies	Fellow subsidiary undertaking	55,064	60,339
Bank overdraft	Fellow subsidiary undertaking	(189,900)	(229,778)
Group relief payable	Fellow subsidiary undertaking	(11,085)	(22,119)
Amounts due to group companies	Fellow subsidiary undertaking	(116,662)	(137,622)
Amounts payable to parent company	Immediate parent undertaking	(4,268)	(4,384)
Bank borrowings	Fellow subsidiary undertaking	(89,047)	(63,993)
Interest payable	Fellow subsidiary undertaking	(355)	(606)
Derivative financial instruments payable	Fellow subsidiary undertaking	(2,377)	(4,504)
Interest receivable	Fellow subsidiary undertaking	935	1,403

24 Related parties (continued)

Bank borrowings are interest bearing and during the year rates of interest of up to 3 747% (2011 3 681%) were charged Finance costs of £5,957,000 (2011 £6,334,000) were incurred during the year

The company earned interest on bank deposits of £12,982,000 (2011 £16,835,000)

The company paid group relief of £15,265,000 (2011 £248,000 received) during the year to fellow subsidiary undertakings

25 Future developments

The following accounting standard changes will impact the company in the future financial periods

Pronouncement	Nature of change	IASB effective date
IAS 1 Financial statement comprehensive income comprehensive income	Requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments)	Annual periods beginning on or after 1 July 2012
IAS 32, 'Financial instruments Presentation' on offsetting financial assets and financial liabilities	Updates the application guidance in IAS 32, Financial instruments Presentation' to clarify some of the requirements f or offsetting financial assets and financial liabilities on the balance sheet	Annual periods beginning on or after 1 January 2014
IFRS 7, Financial instruments Disclousures' on offsetting financial assets and financial liabilities	Enhances current offsetting disclosures These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments1	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities Requires financial assets to be classified into two measurement categories fair value and amortised cost on the basis of the objectives of the entity s business model for managing its financial assets and the contractual cash flow characteristics of the instrument The available-for-sale financial asset and held-to-maturity investment categories in existing IAS 39 will be eliminated The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39	Annual periods beginning on or after 1 January 2015
IFRS 12 Disclosure of Interests in Other Entities	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of and risks associated with, its interests in other entities and the effects of those interests on its financial position financial performance and cash flows	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements	Annual periods beginning on or after 1 January 2013

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

The initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements

26 Post balance sheet events

Finance Act 2013, which passed into law on 17 July 2013, included legislation to reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015 This additional reduction to 20% is estimated to reduce the net deferred tax liability by a further £4,000 and will be reflected in the financial statements for the year ended 31 December 2013