LLOYDS PROPERTY INVESTMENT COMPANY (NO 5) LIMITED

31 December 2012

Member of Lloyds Banking Group

Registered Number 4839433

DIRECTORS

C G Dowsett
J S Foster
G A Fox

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

4839433

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

Dunng the year, the pnncipal activity of the company was the leasing of plant and equipment through finance lease transactions and this is likely to continue for the foreseeable future

The results of the company show a loss before taxation of £831,000 (2011 £232,000 loss) for the year as set out in the statement of comprehensive income on page 5

The company has shareholder's equity of £2,255,000 (2011 £3,072,000)

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 the year

	Appointed	Resigned/ceased to be a director
A J Cumming	-	26 April 2012
J M Herbert	-	26 April 2012
C G Dowsett	26 April 2012	-
S C Gledhill	26 April 2012	29 May 2013
T J Cooke	-	14 August 2012
R A Isaacs	-	13 December 2012
J S Foster	6 March 2013	-
G A Fox	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 irregulanties

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

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

REPORT OF THE DIRECTORS (CONTINUED)

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 '13 - 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 PROPERTY INVESTMENT COMPANY (NO 5) LIMITED

We have audited the financial statements of Lloyds Property Investment Company (No 5) Limited for the year ended 31 December 2012 which comprise 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 loss 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 05/09/13

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Finance income	2	(365)	(340)
Other operating income	3	59	108
Other operating expenses	4	(525)	-
Loss before taxation	5	(831)	(232)
Taxation credit/(charge)	6	14	(110)
Loss after tax and total comprehensive loss for the year attributable to owners of the parent		(817)	(342)

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			
Finance lease receivables	7	25,630	25,839
Deferred taxation	10	1,792	2,401
Total non-current assets		27,422	28,240
Current assets			
Finance lease receivables	7	-	203
Amounts owed by group companies	8	720	411
Other debtors		13	10
Total current assets		733	624
Total assets		28,155	28,864
Liabilities			
Current liabilities			
Amounts owed to group companies	9	25,900	25,792
Total current liabilities		25,900	25,792
Equity			
Share capital	11	-	-
Retained earnings	12	2,255	3,072
Total equity		2,255	3,072
Total liabilities and equity		28,155	28,864

The financial statements on pages 5 to 17 were approved by the Board of Directors on 05/09/13 and signed on its behalf by

C G Dowsett
Director

Registered Number 4839433

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
Balance at 31 December 2010	11 12	-	3,414	3,414
Total comprehensive loss for the year				
Loss for the year	12	-	(342)	(342)
Balance at 31 December 2011	11, 12	-	3,072	3,072
Total comprehensive loss for the year				
Loss for the year	12	-	(817)	(817)
Balance at 31 December 2012	11, 12	-	2,255	2,255

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	14	(108)	(376)
Financing activities			
Movement in bank borrowings		(985)	(851)
Net cash flow from financing activities		(985)	(851)
Net movement in cash and cash equivalents		(1,093)	(1,227)
Cash and cash equivalents at beginning of the year		(9,695)	(8,468)
Cash and cash equivalents at end of the year		(10,788)	(9,695)
Cash and cash equivalents are comprised of			
Bank overdraft	9	(10,788)	(9,695)
		(10,788)	(9,695)

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

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(b) below

1(a) Leases

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

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

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

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(b) Impairment

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

1 (b) 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(c) Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, deferred 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(d) Dividends

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

1(e) 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(f) 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(g) 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

2 Finance income

	2012 £000	2011 £000
Finance lease income	(365)	(340)
	(365)	(340)

Finance lease income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment Due to interest rate variation clauses in the lease, the MCV is greater than the rentals received

NOTES TO THE FINANCIAL STATEMENTS

3 Other operating income

	2012 £000	2011 £000
Tax rate variation	59	108
	59	108

The reduction in the tax rate from 25% to 24% and the further reduction from 24% to 23% is disclosed further in note 10

The change in corporation tax rate has given rise to a reduction in deferred tax and, because of tax rate variation clauses in the lease, also a change to lease rentals When a change in the lease rentals occurs this gives rise to a change in the interest rate implicit within the lease which, when applied retrospectively, has produced a one-off adjustment in the finance lease receivables

4 Other operating expenses

	2012 £000	2011 £000
Basel II adjustment	525	-
	525	-

Due to variation clauses within the lease, should the risk weighting applied to the leased assets change the lease will be repriced The risk weighting for the lease within this company has been recalculated due to the requirements under Basel II (effective from 1 January 2008), which has generated a one-off adjustment for the year ended 31 December 2012

It has not been practicable to allocate the cumulative impact of this adjustment between prior years and as a result the company has not presented this change as a prior year adjustment, as required by IAS8 The full cumulative impact has therefore been presented in the current year

5 Loss 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

6 Taxation credit/(charge)

	2012 £000	2011 £000
The taxation credit/(charge) for the year comprises		
Current tax receivable on loss for the year	107	97
Adjustment in respect of prior year	516	-
Total current tax receivable for the year	623	97
Deferred taxation (Note 10)	33	(15)
Adjustment in respect of prior year (Note 10)	(487)	-
Impact of tax rate change (Note 10)	(155)	(192)
Total taxation credit/(charge) for the year	14	(110)

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation credit/(charge) (continued)

Where taxation on the company's loss for the year differs from the taxation credit/(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
Loss before taxation	(831)	(232)
Tax at standard rate of corporation tax	204	61
Impact of tax rate change	(155)	(192)
Adjustment in respect of prior year	29	-
Movement in non-taxable temporary differences	(64)	21
Total taxation credit/(charge)	14	(110)

7 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	176	259	-	203
2 - 5 years inclusive	26,840	27,225	25,630	25,839
After 5 years	-	-	-	-
	27,016	27,484	25,630	26,042
Less Unearned finance income	(1,386)	(1,442)		
Present value of minimum lease payments receivable	25,630	26,042		
Analysed as				
Non-current finance lease receivable	25,630	25,839		
Current finance lease receivables	-	203		
	25,630	26,042		

The fair value of the company's finance lease receivables at 31 December 2012 is estimated at £24,177,000 (2011 £25,575,000)

8 Amounts owed by group companies

	2012 £000	2011 £000
Group relief receivable	720	411
	720	411

For further details please refer to note 15

9 Amounts owed to group companies

	2012 £000	2011 £000
Bank overdraft	10,788	9,695
Bank borrowings	15,112	16,097
	25,900	25,792

For further details please refer to note 15

10 Deferred taxation

	2012 £000	2011 £000
At beginning of the year	2,401	2,608
Deferred taxation credit/(charge) for the year	33	(15)
Impact of tax rate change	(155)	(192)
Adjustment in respect of prior years	(487)	-
At end of the year	1,792	2,401

The deferred taxation charge in the income statement comprises the following

	2012 £000	2011 £000
Capital allowances on assets leased to customers	33	(15)
Adjustment in respect of prior year	(487)	-
Impact of tax rate change	(155)	(192)
Total deferred taxation charge	(609)	(207)

Deferred taxation assets are comprised as follows

	2012 £000	2011 £000
Deferred taxation assets		
Accelerated tax depreciation	1,792	2,401
Total deferred taxation assets	1,792	2,401

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 asset at 31 December 2012 of £155,000, comprising a £155,000 charge in the statement of comprehensive income

11 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	100	100

11 Share capital (continued)

The company's immediate parent company is Lloyds TSB Leasing Limited 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

12 Retained earnings

	2012 £000	2011 £000
At beginning of the year	3,072	3,414
Loss after tax and total comprehensive loss for the year	(817)	(342)
At end of the year	2,255	3,072

13 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 ", finance lease receivables are designated as loans and receivables and all other financial assets are designated as held at amortised cost The accounting polices in note 1 describe how different classes of financial instruments are measured and how income and expenses are recognised

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	25,630	26,042
Amounts owed by group companies	720	411
Other debtors	13	10
Total credit risk exposure	26,363	26,463

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

13 Risk management of financial instruments (continued)

Credit risk management (continued)

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	-	-	25,630	-	-	-	25,630
Amounts owed by group companies	-	-	720	-	-	-	720
Other debtors	-	-	-	-	-	13	13
Total	-	-	26,350	-	-	13	26,363

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	-	-	26,042	-	-	-	26,042
Amounts owed by group companies	-	-	411	-	-	-	411
Other debtors	-	-	-	-	-	10	10
Total	-	-	26,453	-	-	10	26,463

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 and 2011 there were no impairments relating to credit risk against any financial assets 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 7

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

At 31 December 2012	Bank overdraft £000	Bank borrowings £000	Total Liabilities £000
On demand	10,788	-	10,788
Up to 1 month	-	15,112	15,112
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	10,788	15,112	25,900

13 Risk management of financial instruments (continued)

Liquidity risk management (continued)

At 31 December 2011	Bank overdraft £000	Bank borrowings £000	Total Liabilities £000
On demand	9,695	-	9,695
Up to 1 month	-	16,097	16,097
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	9,695	16,097	25,792

The fair value of current liabilities approximates their carrying values

Bank borrowings are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc

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

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance income by £38,000 and finance costs by £nil

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 on foreign exchange rates

The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk

14 Notes to the cash flow statement

	2012 £000	2011 £000
Loss from operations	(831)	(232)
Add/(less) non cash items Impairment charge	466	(108)
Operating cash flows before movements in working capital	(365)	(340)
Movement in receivables	(57)	(36)
Cash generated by operations	(422)	(376)
Group relief received	314	-
Net cash flow from operations	(108)	(376)

NOTES TO THE FINANCIAL STATEMENTS

15 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
Bank overdraft	Fellow subsidiary undertaking	(10,788)	(9,695)
Bank borrowings	Fellow subsidiary undertaking	(15,112)	(16,097)
Group relief receivable	Fellow subsidiary undertaking	720	411

The company received group relief of £314,000 (2011 £nil) during the year from fellow subsidiary undertakings

16 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 for 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

17 Post balance sheet events

The 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 The effect of this further change upon the Company's deferred tax balances cannot be quantified at this stage