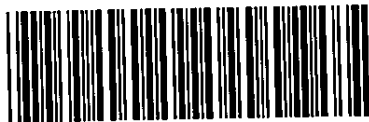


# UDT Limited

Registered number 646591

## Report and Accounts 28 February 2008

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COMPANIES HOUSE

Member of Lloyds TSB Group

## Company information

### Directors

Directors	T M Blackwell D J S Oldfield A P White
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Secretary	David Jarvis
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UDT Limited is a limited company registered in England No: 646591 and is both incorporated and domiciled in England and Wales.

### Registered office

25 Gresham Street  
London  
EC2V 7HN

# Directors' report

For the year ended 28 February 2008

## Business review and principal activities

The principal activity of UDT Limited ('the Company') provides a range of operating and finance lease options for corporate customers, including motor traders. The results for the Company show a profit before tax of £121,455 (2007: £236,597) for the year and net interest income of £227,460 (2007: £402,413)

The Company is funded entirely by other companies within the Lloyds TSB Group.

## Future outlook

The Company ceased to write new business in 2004. Accordingly the carrying value of property, plant and equipment and loans and advances will continue to reduce as individual lease agreements expire and assets are disposed.

## Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds TSB Asset Finance Division Limited sub group and are not managed separately. For further details refer to note 2 – "Risk Management policy" in these financial statements.

## Key performance indicators ('KPIs')

Given that the Company is no longer writing new business, the 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 suppliers

The Company follows "The Better Payment Practice Code" published by the Department for Business, Enterprise and Regulatory Reform (BERR) regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR Publications Order Line 0845-015-010 quoting ref. URN 04/606.

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

As the Company owed no amounts to suppliers as at 28 February 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985 is nil (2007: nil).

## Dividends

No dividend was paid in the year ended 28 February 2008 (2007: £nil).

## Directors

The names of the current directors are shown on page 1.

The following changes have taken place during the year and since the year end:

T M Blackwell	(appointed 28 September 2007)
D K Potts	(resigned 28 September 2007)
M P Kilbee	(resigned 30 April 2008)
A P White	(appointed 30 April 2008)

## Directors' report

For the year ended 28 February 2008

### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 234ZA of the Companies Act 1985.

On behalf of the board



T M Blackwell  
Director

22 December 2008

# Report of the independent auditors to the members of UDT Limited

We have audited the financial statements of UDT Limited for the year ended 28 February 2008 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

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

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

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

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

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

## Basis of audit opinion

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

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

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 28 February 2008 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

One Kingsway  
Cardiff  
CF10 3PW

22 December 2008

# Income statement

For the year ended 28 February 2008

	Note	2008 £	Restated 2007 £
Interest and similar income		321,288	673,515
Interest expense and similar charges		(93,828)	(271,102)
<b>Net interest income</b>	4	<b>227,460</b>	<b>402,413</b>
Other operating income		510,346	518,449
Impairment gains on loans and advances		6,174	17,792
Other operating expenses	5	(622,525)	(702,057)
<b>Profit before tax</b>	6	<b>121,455</b>	<b>236,597</b>
Taxation	9	(36,110)	(70,980)
<b>Profit for the year attributable to equity shareholders</b>		<b>85,345</b>	<b>165,617</b>

The notes on pages 9 to 20 are an integral part of these financial statements.

The income statement for the year ended 28 February 2007 reflects a restatement as explained in note 21.

# Balance Sheet

At 28 February 2008

	Note	2008 £	Restated 2007 £
<b>ASSETS</b>			
Other current assets	10	4,152,733	1,626,325
Loans and advances to customers	11	1,956,428	4,188,966
Property, plant and equipment	12	683,997	1,279,091
<hr/>			
<b>Total assets</b>		<b>6,793,158</b>	<b>7,094,382</b>
<hr/>			
<b>LIABILITIES</b>			
Borrowed funds	13	4,929,669	4,352,885
Other current liabilities	14	522,413	890,305
Current tax liabilities		176,669	637,139
Deferred tax	15	4,635	139,626
<hr/>			
<b>Total liabilities</b>		<b>5,633,386</b>	<b>6,019,955</b>
<hr/>			
<b>EQUITY</b>			
Share capital	16	200	200
Retained earnings		1,159,572	1,074,227
<hr/>			
<b>Total equity</b>		<b>1,159,772</b>	<b>1,074,427</b>
<hr/>			
<b>Total equity and liabilities</b>		<b>6,793,158</b>	<b>7,094,382</b>

The notes on pages 9 to 20 are an integral part of these financial statements.

The balance sheet for the year ended 28 February 2007 reflects a restatement as explained in note 21.

The financial statements on pages 5 to 20 were approved by the Board of Directors and were signed on its behalf by:

  
T M Blackwell  
Director

22 December 2008

## Statement of changes in equity

At 28 February 2008

	Share capital £	Retained earnings £	Total £
<b>At 1 March 2006</b>	<b>200</b>	<b>908,610</b>	<b>908,810</b>
Profit for the year	-	165,617	165,617
<b>At 28 February 2007</b>	<b>200</b>	<b>1,074,227</b>	<b>1,074,427</b>
Profit for the year	-	85,345	85,345
<b>At 28 February 2008</b>	<b>200</b>	<b>1,159,572</b>	<b>1,159,772</b>

The notes on pages 9 to 20 are an integral part of these financial statements.

The statement of changes in equity for the year ended 28 February 2007 reflects a restatement as explained in note 21.



# Cash flow statement

For the year ended 28 February 2008

	2008 £	Restated 2007 £
<b>Cash flows from operating activities</b>		
Profit before tax	121,455	236,597
Adjustments for:		
- interest payable	93,828	271,102
- depreciation	581,547	468,287
- loss on sale of property, plant and equipment	11,871	-
Changes in operating assets and liabilities:		
- net decrease in loans and advances to customers	2,232,538	10,274,296
- net increase in other assets	(436,741)	-
- net decrease in other liabilities	(367,892)	(262,251)
Cash generated from operations	2,236,606	10,988,031
Interest paid	(93,828)	(271,102)
Taxes paid via group relief	(631,571)	(667,068)
Net cash from operating activities	1,511,207	10,049,861
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	1,676	-
Net cash from investing activities	1,676	-
<b>Cash flows from financing activities</b>		
Repayment of net amounts due to group undertakings	(1,512,883)	(10,049,861)
Net cash used in financing activities	(1,512,883)	(10,049,861)
<b>Net movement in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of year	-	-
<b>Cash and cash equivalents at end of year</b>	-	-

The notes on pages 9 to 20 are an integral part of these financial statements.

The cash flow statement for the year ended 28 February 2007 reflects a restatement as explained in note 21.

# Notes to the financial statements

28 February 2008

## 1. Accounting policies

### 1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. UDT Limited is a limited company incorporated in the United Kingdom.

These financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the European Union.

The following IFRS pronouncements relevant to the Company have been adopted in these financial statements:

i) IFRS 7: Financial Instruments: Disclosures. This standard, which was effective from 1 January 2007, requires more detailed qualitative and quantitative disclosures about exposure to risks arising from financial instruments. As a disclosure standard, the application of this new standard has not had any impact on amounts recognised in the financial statements. IFRS 7 supersedes IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments: Presentation'. The IFRS 7 disclosures are set out in notes 2 and 19.

ii) Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'. This standard, which was effective from 1 January 2007, requires additional disclosures of the objectives, policies and processes for managing capital. These new capital disclosures are set out in note 19.

The financial information has been prepared under the historical cost convention.

### 1.1 Financial assets and liabilities

Financial assets comprise amounts due from group undertakings, loans and advances to customers and other debtors. Financial liabilities comprise borrowed funds and other creditors.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cashflows, or obligations to pay cashflows, have expired.

Interest bearing financial assets and liabilities are recognised at amortised cost inclusive of transaction costs, using the effective interest method.

When assets are leased under a finance lease, the amount due from the lessee is recorded as a receivable at the net present value of the lease payments plus any guaranteed residual value payments, where applicable, being the Company's net investment in the lease.

#### Assets held under operating lease

Operating lease assets are included within property, plant and equipment at cost and depreciated over the life of the lease after taking into account anticipated residual values.

### 1.2 Income recognition

#### Interest income from financial assets

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, including loans and advances, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the associated interest income or interest expense to a period of account.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement, but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return, such as acceptance fees and direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

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 the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

# Notes to the financial statements

28 February 2008

## 1. Accounting policies (continued)

### Interest income from financial assets (continued)

Once a financial asset or a group of similar financial assets, or the net investment in a finance lease has been written down as a result of an impairment loss, interest income is recognised for the remainder of the contract, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### Operating lease rental income

Operating lease rental income is recognised on a straight line basis over the life of a lease.

## 1.4 Impairment

### Loans and advances to customers and finance leases

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. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

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 estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral, whether or not foreclosure is probable.

If there is no objective evidence of individual impairment the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Impairment losses on loans and advances are recognised separately in the income statement.

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 provision is adjusted and the amount of the reversal is recognised in the income statement.

When a loan or advance is uncollectable, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the statement on a cash receipts basis.

The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience.

### Assets held under operating lease

Impairment of property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the income statement.

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, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the income statement.

## 1.5 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition.

# Notes to the financial statements

28 February 2008

## 1. Accounting policies (continued)

### 1.6 Taxation, including deferred income taxes

Current tax which is payable on taxable profits and losses is recognised as an expense or income in the period in which the profits or losses 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. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect 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.

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

## 2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by the intermediate parent, Lloyds TSB Asset Finance Division Limited, and the ultimate parent, Lloyds TSB Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group companies which fund the Company and credit risk is carefully monitored by Asset Finance Division credit committees and credit functions.

### 2.1 Credit risk

Credit risk is the risk that a customer will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts is managed through the application of strict underwriting criteria, determined by the Lloyds TSB Asset Finance Division Limited credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

For loans and advances, credit risk arises both from amounts lent and commitments to extend credit to a customer, principally loan commitments.

In measuring the credit risk of loans and advances to customers, the Company reflects three components: (i) the 'probability of default' by the customer on its contractual obligations; (ii) current exposures to the customer and their likely future development, from which the Company derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

The Company assesses the probability of default of individual customers using internal rating models tailored to the various categories of customer. Exposure at default and loss given default models are also in use. All rating models, which are authorised by executive management, comply with the Group's standard methodology and are subject to a rigorous validation process.

#### Credit risk mitigation

- Credit principles and policy: Group risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress-testing and scenario analysis, to simulate outcomes and calculate their associated impact.
- Customer limits: Credit risk in wholesale portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward. Divisional exposure to individual, groups, or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities.

# Notes to the financial statements

28 February 2008

## 2. Risk management policy (continued)

### 2.2 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the re-pricing of financial assets and liabilities.

Through intercompany funding arrangements, the Company has effectively transferred its exposure to changes in interest rates to Lloyds TSB Group plc.

### 2.3 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Lloyds TSB Group.

Liquidity risks are managed as part of the Lloyds TSB Group by the intermediate parent company, Lloyds TSB Bank plc, in consultation with the board of directors.

## 3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

### Impairment on assets accounted for at amortised cost

The Company regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment has occurred the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows and 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 assets in the Company.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The Company reviews the residual value of its operating lease assets on a quarterly basis by reference to independent market value data and the prevailing economic conditions. The adjustment arising from the reviews are dealt with as set out in note 1.4 above.

## 4. Net interest income

	2008 £	2007 £
<b>Interest income</b>		
Finance lease receivables	156,559	673,515
Group interest income (see note 17)	164,729	-
	<b>321,288</b>	<b>673,515</b>
<b>Interest expense</b>		
Group interest expense (see note 17)	93,828	271,102
	<b>227,460</b>	<b>402,413</b>

The average effective interest rate in 2008 was 5.05% (2007: 7.16%) for finance lease receivables.

# Notes to the financial statements

28 February 2008

## 5. Other operating expenses

	2008 £	2007 £
Depreciation	581,547	468,287
Management charges (see note 17)	33,022	229,855
Other administrative expenses	(3,915)	3,915
Loss on sale of property, plant and equipment	11,871	-
	<b>622,525</b>	<b>702,057</b>

## 6. Profit before tax

Auditors' remuneration of £2,000 (2007: £2,000) has been borne by a fellow subsidiary within the Lloyds TSB Asset Finance Division Limited sub group.

## 7. Staff costs

The Company did not directly employ any person during the year (2007: none). Accounting and administration services were provided by a fellow subsidiary undertaking.

## 8. Directors' emoluments

No director received any fees or emoluments during the year (2007: £nil). The Directors' are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group. Lloyds TSB Asset Finance Division Limited is the parent company of a sub group which comprises several trading companies engaged in a wide range of lending activities. The Directors' services to this Company are considered to be incidental to their other responsibilities within these organisations (see note 17).

## 9. Taxation

	2008 £	Restated 2007 £
<b>a) Analysis of charge for the year</b>		
UK corporation tax:		
- Current tax on profits for the year	171,101	637,139
Current tax charge	171,101	637,139
Deferred tax (see note 15)	(134,991)	(566,159)
	<b>36,110</b>	<b>70,980</b>

The charge for tax on the profit for the year is based on a corporation tax rate of 30% (2007: 30%)

The restatement of comparatives is explained in note 21.

# Notes to the financial statements

28 February 2008

## 9. Taxation (continued)

### b) Factors affecting the tax charge for the year

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

	2008 £	2007 £
Profit before tax	121,455	236,597
Tax charge thereon at UK corporation tax rate of 30%	36,436	70,980
Factors affecting charge:		
- Impact of deferred tax rate change	(326)	-
<b>Tax on profit on ordinary activities</b>	<b>36,110</b>	<b>70,980</b>
<b>Effective rate</b>	<b>29.7%</b>	<b>30.0%</b>

## 10. Other current assets

	2008 £	2007 £
Amounts due from group undertakings (see note 17)	3,715,992	1,626,325
Other debtors	436,741	-
<b>4,152,733</b>	<b>1,626,325</b>	

Amounts due from group undertakings are unsecured, repayable on demand and generally interest bearing. Variable rates based on LIBOR were charged during the year.

## 11. Loans and advances to customers

	2008 £	Restated 2007 £
Gross loans and advances to customers	1,970,747	4,226,776
Less: allowances for losses on loans and advances	(14,319)	(37,810)
<b>Loans and advances to customers, net</b>	<b>1,956,428</b>	<b>4,188,966</b>
of which:		
Due within one year	891,488	2,232,178
Due after more than one year	1,064,940	1,956,788
<b>1,956,428</b>	<b>4,188,966</b>	

The restatement of comparatives is explained in note 21.

# Notes to the financial statements

28 February 2008

## 11. Loans and advances to customers (continued)

Loans and advances to customers include finance lease receivables:	2008 £	Restated 2007 £
Gross investment in finance lease contracts, receivable:		
- no later than one year	1,029,598	2,568,197
- later than one year and no later than five years	1,207,567	2,203,270
- later than five years	2,911	9,493
	<b>2,240,076</b>	<b>4,780,960</b>
Unearned future finance income on finance lease contracts	<b>(269,329)</b>	<b>(554,184)</b>
Net investment in finance lease contracts	<b>1,970,747</b>	<b>4,226,776</b>
The net investment in finance lease contracts may be analysed as follows:		
- no later than one year	905,807	2,269,989
- later than one year and no later than five years	1,062,379	1,948,392
- later than five years	2,561	8,395
	<b>1,970,747</b>	<b>4,226,776</b>

The Company provides a range of finance lease options in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 3 and 5 years.

During 2008 and 2007, no contingent rentals in respect of finance leases were recognised in the Income Statement.

## 12. Property, plant and equipment

	£
<b>Cost:</b>	
At 1 March 2006 and 28 February 2007	3,602,549
Disposals	(80,725)
At 28 February 2008	<b>3,521,824</b>
<b>Accumulated depreciation</b>	
At 1 March 2006	1,855,171
Charge for the year	468,287
At 28 February 2007	2,323,458
Charge for the year	581,547
Disposals	(67,178)
At 28 February 2008	<b>2,837,827</b>
<b>Balance sheet amount at 28 February 2008</b>	<b>683,997</b>
Balance sheet amount at 28 February 2007	1,279,091

The 2008 depreciation charge for the year has increased by £194,598 to reflect the re-estimation of residual values in accordance with the accounting policy explained in note 1.4.



## Notes to the financial statements

28 February 2008

### 12. Property, plant and equipment (continued)

Property, plant and equipment represent assets leased to customers under operating leases.

At 28 February 2008 the future minimum rentals receivable under non cancellable operating leases were as follows:

	2008 £	2007 £
Receivable within 1 year	42,330	491,103
Receivable between 2 to 5 years	32,863	69,802
	<b>75,193</b>	<b>560,905</b>

Generally the Company's operating leases are for terms of 1 to 5 years.

### 13. Borrowed funds

	2008 £	Restated 2007 £
Borrowings from group undertakings (see note 17)	4,929,669	4,352,885

Amounts due to group undertakings are unsecured and repayable on demand. Amounts due to Lloyds UDT Limited and United Dominions Trust Limited are interest bearing at variable rates based on LIBOR. All other amounts are non-interest bearing.

The restatement of comparatives is explained in note 21.

### 14. Other current liabilities

	2008 £	2007 £
Other creditors	522,413	890,305

### 15. Deferred tax

The movement in deferred tax is as follows:

	2008 £	2007 £
At 1 March	(139,626)	(705,785)
Income statement credit (see note 9)	134,991	566,159
At 28 February	<b>(4,635)</b>	<b>(139,626)</b>

The deferred tax credit in the income statement comprises the following temporary differences:

Accelerated capital allowances	134,991	566,159
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Deferred tax assets and liabilities are comprised as follows:

Accelerated capital allowances	<b>(4,635)</b>	<b>(139,626)</b>
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# Notes to the financial statements

28 February 2008

## 15. Deferred tax (continued)

With effect from 1 April 2008 profit will be charged to corporation tax at the rate of 28% (currently 30%). Accordingly, deferred tax has been provided at 28% (2007: 30%).

Within the accelerated capital allowances at 28 February 2008 are net deferred tax assets of approximately £9,000 that are expected to be received in no more than twelve months after the balance sheet date.

## 16. Share capital

	2008 £	2007 £
<b>Authorised, issued, called up and fully paid</b>		
200 ordinary shares of £1 each	200	200

The immediate parent company is Black Horse Finance Holdings Limited. The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, 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 undertaking of the smallest such group of undertakings. Copies of both sets of accounts may be obtained from the Company Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.

## 17. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited (incorporated in England and Wales). The ultimate parent of the Company is Lloyds TSB Group plc (incorporated in Scotland).

A number of transactions are entered into with related parties in the normal course of business. These include loans, fees. The outstanding balances at the year end, and related expenses are as follows:

	<b>Group and associated companies</b>	
	2008 £	Restated 2007 £
<b>Amounts due from group companies (see note 10)</b>		
United Dominions Trust Limited	3,715,992	1,626,325
<b>Amounts due to group companies</b>		
Black Horse Finance Holdings Limited	(876,584)	-
Lloyds UDT Limited	(3,137,239)	(3,685,817)
Black Horse Limited	(915,846)	(667,068)
<b>Total due to group companies (see note 13)</b>	<b>(4,929,669)</b>	<b>(4,352,885)</b>
<b>Interest receivable (see note 4)</b>		
United Dominions Trust Limited	164,729	-
<b>Interest payable</b>		
United Dominions Trust Limited	-	100,262
Lloyds UDT Limited	93,828	170,840
<b>Total interest payable (see note 4)</b>	<b>(93,828)</b>	<b>(271,102)</b>
<b>Management fee (see note 5)</b>		
Lloyds UDT Limited	33,022	229,855

The restatement of comparatives is explained in note 21.

## Notes to the financial statements

28 February 2008

### 17. Related party transactions (continued)

#### Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprise the directors of the Company and the members of the Lloyds TSB Asset Finance Division board which comprises the statutory directors of that company and certain other senior management. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Lloyds TSB Asset Finance Division Limited sub group and consider that their services to the Company are incidental to their other activities within that sub-group.

### 18. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2007: £nil).

### 19. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2. A description of the financial assets / liabilities and associated accounting is provided in note 1.

#### 19.1 Credit risk

##### Credit concentration

The Company lends predominantly to Non-Retail customers (being motor traders and corporate customers) based in the United Kingdom.

##### Loans and advances to customers – maximum exposure

	2008 £	Restated 2007 £
Neither past due nor impaired	1,940,903	4,108,081
Past due but not impaired	15,525	80,885
Impaired	14,319	37,810

<b>Maximum exposure – Loans and advances</b>	<b>1,970,747</b>	<b>4,226,776</b>
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##### Loans and advances to customers which are neither past due nor impaired

	2008 £	2007 £
Good quality	154,585	261,826
Satisfactory quality	1,688,263	3,465,316
Lower quality	87,037	349,703
Below standard, but not impaired	11,018	31,236

<b>Total</b>	<b>1,940,903</b>	<b>4,108,081</b>
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In general, good quality lending comprises those balances with a lower probability to default rating assigned and the rating progressively increases for each category exhibiting a progressively higher probability to default.

## Notes to the financial statements

28 February 2008

### 19. Financial risk management (continued)

#### Loans and advances to customers which are past due but not impaired

	2008 £	2007 £
Past due up to 30 days	15,525	54,854
Past due up to 30-60 days	-	10,218
Past due over 180 days	-	15,813
<b>Total</b>	<b>15,525</b>	<b>80,885</b>

Past due is defined as failure to make a payment when it falls due.

The restatement of comparatives is explained in note 21.

#### Allowance for loans and advances to customers which are impaired

	2008 Total £	2007 Total £
Brought forward at 1 March	(37,810)	(111,956)
Advances written off	17,317	56,354
Credit for year (including recoveries and unwind of discount)	6,174	17,792
<b>At 28 February</b>	<b>(14,319)</b>	<b>(37,810)</b>

The criteria used to determine that there is objective evidence of impairment is disclosed in Note 1.4. All loans and advances were individually assessed for impairment.

#### Renegotiated loans and advances to customers

During the year the Company did not renegotiate loans and advances to customers, which would otherwise have been past due or impaired.

#### Reposessed collateral

At year end the Company did not hold any reposessed collateral in respect of defaulted debt. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

#### 19.2 Liquidity risk

The Company is funded entirely by companies within Lloyds TSB Group. Such funding is technically repayable within three months, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

#### 19.3 Financial strategy

The Company's activities are principally related to the use of financial instruments. However, the Company does not trade in financial instruments.

#### 19.4 Fair values of financial assets and liabilities

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

Fair values of loans and advances to customers are estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the year end.

The aggregated fair value of loans and advances to customers is approximately £1,946,622 (2007: £3,992,049). The carrying value of all other assets and liabilities is considered an approximation of fair value.

# Notes to the financial statements

28 February 2008

## 19. Financial risk management (continued)

### 19.5 Capital disclosures

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

The Company's parent manages the Company's capital structure and advises the board of directors to consider making 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 board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the statement of changes in equity. The Company receives most of its funding requirements from its fellow Group companies and does not raise funding externally.

## 20. Post balance sheet events

There were no post balance sheet events requiring disclosure in these financial statements.

## 21. Restatement of comparatives

During 2008, it transpired that bad debt recoveries made in 2007 were not appropriately reflected in the 2007 accounts. A prior year adjustment has been posted to correct the errors relating to this matter as follows:

	2007 Restated £	2007 Previously reported £
<b>Income statement</b>		
Impairment gains/(losses) on loans and advances	17,792	(768)
Taxation	70,980	65,412
<b>Balance sheet</b>		
Gross loans and advances to customers	4,226,776	4,236,422
Allowances for losses on loans and advances	(37,810)	(47,456)
Borrowed funds	4,352,885	4,371,445
Current tax liabilities	637,139	631,571

## 22. Future IFRS developments

The following pronouncements will be relevant to the Company but were not effective at 28 February 2008 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IAS 1 Presentation of Financial Statements <sup>1,2</sup>	Revises the overall requirements for the presentation of financial statements, guidance for their structure and minimum content requirements. The revised standard requires the presentation of all non-owner changes in equity within a statement of comprehensive income.	Annual periods beginning on or after 1 January 2009

<sup>1</sup> At the date of this report, this pronouncement is awaiting EU endorsement.

<sup>2</sup> Subject to any EU endorsement, the Company has not yet made a final decision as to whether it will apply this pronouncement in the 2009 financial statements.

The Company's view is that this pronouncement is not expected to cause any material adjustments to the reported numbers in the financial statements.