UDT Limited

Directors' report and financial statements
For the year ended 29 February 2012

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

646591

Directors

G Ferguson
D J S Oldfield
C K Sarfo-Agyare

Member of Lloyds Banking Group

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Directors' report

For the year ended 29 February 2012

The directors present their report and the audited financial statements of UDT Limited for the year ended 29 February 2012

Business review

Principal activities

UDT Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 646591)

The Company provides finance lease products for corporate customers

The Company's results for the year show a Profit before tax of £322,000 (2011 £250,000) and Net interest income of £212,000 (2011 £196,000)

At the end of February 2011 the business sold all agency operating lease agreements and associated balances, accounting for the majority of the operating lease book, to a third party, Asset Advantage Limited, for £25,000 As such the Company ceased the majority of its operating lease business at the prior year end

The Company is funded entirely by other companies within the Lloyds Banking Group ("the Group")

Future outlook

The Company ceased to write new business in January 2008 Accordingly the carrying value of Property, plant and equipment and Loans and advances to customers (and the associated income) has continued 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 ("the Division") and are not managed separately for the Company Further details of the Company's and Division's risk management policy are contained in note 2 to the financial statements

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business KPIs are monitored and reported at a divisional level and are disclosed in the financial statements for United Dominions Leasing Limited and United Dominions Trust Limited

Policy and practice on payment of suppliers

The Company follows "The Prompt Payment Code" published by the Department for Business 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 no amounts are owed to trade creditors as at 29 February 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)

Dividends

No dividends were paid or proposed during the year ended 29 February 2012 (2011 £nil)

Going Concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis

Directors' report (continued)

For the year ended 29 February 2012

Directors

The names of the current directors are shown on the cover

The following changes have taken place during the year

T M Blackwell	(resigned 19 July 2011)
A P White	(resigned 19 September 2011)

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 during the whole of the financial year (or from the date of appointment in respect of directors who join the board during the financial year) The indemnities remain in force as at the date of signing the financial statements Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc

Statement of directors' responsibilities

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

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

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

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

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 418 of the Companies Act 2006

Independent auditors

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

On behalf of the board

C K Sarfo-Agyare
Director

24 August 2012

Independent auditors' report to the member of UDT Limited

We have audited the financial statements of UDT Limited for the year ended 29 February 2012 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 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 member 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 Directors' report and financial statements 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 29 February 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

N J Rummings

Neil Rummings (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

24 August 2012

Statement of comprehensive income

For the year ended 29 February 2012

	Note	2012 £'000	2011 £'000
Interest income		**212**	196
Net interest income	4	**212**	196
Other operating income	5	**109**	144
Impairment gains		**1**	-
Other operating expenses	6	**-**	(90)
Profit before tax		**322**	250
Taxation	9	**(132)**	4
Profit for the year attributable to owners of the parent, being total comprehensive income		**190**	254

The notes on pages 8 to 20 are an integral part of these financial statements

Balance sheet
As at 29 February 2012

	Note	2012 £'000	2011 £'000
ASSETS			
Other current assets	10	**5,704**	4,065
Loans and advances to customers	11	**20**	148
Deferred tax asset	13	**197**	142
Total assets		**5,921**	4,355
LIABILITIES			
Borrowed funds	14	**3,690**	2,340
Other current liabilities	15	**6**	119
Current tax liability		**153**	14
Total liabilities		**3,849**	2,473
EQUITY			
Share capital	16	**-**	-
Retained profits		**2,072**	1,882
Total equity		**2,072**	1,882
Total equity and liabilities		**5,921**	4,355

The notes on pages 8 to 20 are an integral part of these financial statements

The financial statements on pages 4 to 20 were approved by the board of directors and were signed on its behalf by

C K Sarfo-Agyare
Director

24 August 2012

Statement of changes in equity

For the year ended 29 February 2012

	Share capital £'000	Retained profits £'000	Total £'000
At 1 March 2010	-	1,628	1,628
Total comprehensive income for the year	-	254	254
At 28 February 2011	-	**1,882**	**1,882**
Total comprehensive income for the year	-	190	190
At 29 February 2012	-	**2,072**	**2,072**

The notes on pages 8 to 20 are an integral part of these financial statements

Cash flow statement

For the year ended 29 February 2012

	2012 £'000	2011 £'000
Cash flows (used in)/generated from operating activities		
Profit before tax	**322**	250
Adjustments for		
- Depreciation	**-**	34
Changes in operating assets and liabilities		
- Net decrease in Loans and advances to customers	**128**	173
- Net increase in Other current assets	**(1,639)**	(390)
- Net decrease in Other current liabilities	**(113)**	(117)
Cash used in operations	**(1,302)**	(50)
Taxes (paid)/received via group relief	**(47)**	110
Net cash (used in)/generated from operating activities	**(1,349)**	60
Cash flows from/(used in) financing activities		
Proceeds from/(repayment of) balances with group undertakings	**1,349**	(60)
Net cash from/(used in) financing activities	**1,349**	(60)
Net increase in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The notes on pages 8 to 20 are an integral part of these financial statements

Notes to the financial statements

For the year ended 29 February 2012

1. Accounting policies

1 1 Basis of preparation

The pnncipal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to both years presented, unless otherwise stated

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body

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

(i) Amendments to IAS 24 Related Party Disclosures Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities As the amendments only result in reduced disclosures, the amendments have not had any impact for amounts recognised in these financial statements

(ii) Improvements to IFRSs (issued May 2010) Sets out minor amendments to IFRS standards as part of annual improvements process Most amendments clarified existing practice The application of these new interpretations has not had any impact for amounts recognised in these financial statements

Details of those pronouncements which will be relevant to the Company but which were not effective at 29 February 2012 and which have not been applied in preparing these financial statements are given in note 22

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention

1.2 Income recognition

Income from financial assets

Interest income is recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income to a period of account

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

Lease classification

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

Finance lease income

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 incremental 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

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 and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts

Notes to the financial statements (continued)

For the year ended 29 February 2012

1. Accounting policies (continued)

1 2 Income recognition (continued)

Operating lease income

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

When an operating lease is terminated before the end of the lease period, any payment made to the Company by way of penalty is recognised as income in the period of termination

1 3 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 current liabilities

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 cash flows, or obligations to pay cash flows, have expired

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

1.4 Impairment

Loans and advances to customers

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

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

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

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 Statement of comprehensive income

When a loan or advance is uncollectible, 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 of comprehensive income on a cash receipts basis

Notes to the financial statements (continued)
For the year ended 29 February 2012

1. Accounting policies (continued)

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

1 6 Taxation, including deferred income taxes

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit 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 substantively 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 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

2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk, interest rate risk and business risk, it is not exposed to any significant foreign exchange risk or market 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 Banking Group plc Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Division's credit committee and credit functions Business risk is managed through regular reporting and oversight

2 1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due The credit risk associated with instalment credit contracts and operating leases is managed through the application of strict underwriting criteria, determined by the Division's 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 to a customer

In measuring the credit risk of loans and advances, the Company reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations, (ii) current exposures to the counterparty 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')

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

Notes to the financial statements (continued)

For the year ended 29 February 2012

2. Risk management policy (continued)

2 1 Credit risk (continued)

Credit risk mitigation (continued)

- Counterparty 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 counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities

2 2 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 Group

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

2 3 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 repricing of financial assets and liabilities Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been provided in note 18 3

2 4 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the sub optimal implementation of the strategy In assessing business risk, consideration is given to internal and external factors such as products, funding, resource capability, and economic, political and regulatory factors

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary

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 of assets accounted for at amortised cost

The Company regularly reviews its portfolio of leases 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

4 Net interest income

	2012 £'000	2011 £'000
Interest income		
From finance lease and hire purchase contracts	**14**	27
Group interest income (see note 17)	**198**	169
Net interest income	**212**	196

5 Other operating income

	2012 £'000	2011 £'000
Proceeds on disposal of ex-leased assets	-	25
Operating lease income	-	119
Release of excess accrual	**109**	-
	109	144

6. Other operating expenses

	2012 £'000	2011 £'000
Management fees (see note 17)	-	1
Depreciation (see note 12)	-	34
Other operating expenses	-	55
	-	90

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2011 £1,000) have been borne by a fellow subsidiary undertaking and are not recharged to the Company

7. Staff costs

The Company did not employ any persons during the year (2011 none) Accounting and administration services are provided by a fellow subsidiary undertaking and are not recharged to the Company

8. Directors' emoluments

No director received any fees or emoluments during the year (2011 £nil) The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 17)

Notes to the financial statements (continued)

For the year ended 29 February 2012

9. Taxation

	2012 £'000	2011 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax		
- Current tax on taxable profit for the year	**153**	13
- Adjustments in respect of prior years	**34**	(328)
Current tax charge/(credit)	**187**	(315)
UK deferred tax		
- Origination and reversal of timing differences	**(55)**	311
Deferred tax (credit)/charge (see note 13)	**(55)**	311
	132	(4)

Corporation tax is calculated at a rate of 26 2% (2011 28 0%) of the taxable profit for the year

b) Factors affecting the tax charge/(credit) for the year

The tax on the Company's Profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows

	2012 £'000	2011 £'000
Profit before tax	**322**	250
Tax charge thereon at UK corporation tax rate of 26 2% (2011 28 0%)	**84**	70
Factors affecting charge		
- Adjustments in respect of prior years	**34**	(8)
- Effect of reduction in tax rate	**14**	5
- Group relief losses for no payment	**-**	(71)
Tax on profit on ordinary activities	**132**	(4)
Effective rate	41 0%	(1 6%)

10. Other current assets

	2012 £'000	2011 £'000
Amounts due from group undertakings (see note 17)	**5,673**	4,047
Other debtors	**31**	18
	5,704	4,065

Amounts due from group undertakings are unsecured, repayable on demand and interest bearing based on historic market swap rates

11. Loans and advances to customers

	2012 £'000	2011 £'000
Advances under finance lease and hire purchase contracts	20	149
Gross loans and advances to customers	20	149
Less allowance for losses on loans and advances	-	(1)
Net loans and advances to customers	20	148
of which		
Due within one year	17	140
Due after one year	3	8
	20	148

Loans and advances to customers include finance lease and hire purchase receivables

	2012 £'000	2011 £'000
Gross investment in finance lease and hire purchase contracts receivable		
- no later than one year	20	145
- later than one year and no later than five years	-	9
- later than five years	-	-
	20	154
Unearned future finance income on finance lease and hire purchase contracts	-	(5)
Net investment in finance lease and hire purchase contracts	20	149

The net investment in finance lease and hire purchase contracts may be analysed as follows

	2012 £'000	2011 £'000
- no later than one year	17	141
- later than one year and no later than five years	3	8
- later than five years	-	-
	20	149

The unguaranteed residual value at 29 February 2012 is £nil (2011 £nil)

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 the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2011 £nil)

Further analysis of Loans and advances to customers is provided in note 18

Notes to the financial statements (continued)

For the year ended 29 February 2012

12. Property, plant and equipment

	Total £'000
Cost	
At 1 March 2010	810
Disposals	(810)
At 28 February 2011 and 29 February 2012	-
Accumulated depreciation	
At 1 March 2010	776
Charge for the year (see note 6)	34
Disposals	(810)
At 28 February 2011 and 29 February 2012	-
Balance sheet amount at 28 February 2011 and 29 February 2012	-

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

13. Deferred tax asset

The movement in the Deferred tax asset is as follows

	2012 £'000	2011 £'000
Brought forward	**142**	453
Credit/(charge) for the year (see note 9)	**55**	(311)
At year end	**197**	142

The deferred tax credit/(charge) in the Statement of comprehensive income comprises the following temporary differences

	2012 £'000	2011 £'000
Accelerated capital allowances	**55**	(311)

Deferred tax asset comprises	**2012 £'000**	2011 £'000
Accelerated capital allowances	**197**	142

Notes to the financial statements (continued)
For the year ended 29 February 2012

13. Deferred tax asset

Within the Deferred tax asset at 29 February 2012 are amounts of approximately £6,000 (2011 £7,000) that are expected to be settled in less than twelve months after the balance sheet date

The UK Government announced on 23 March 2011 that the headline rate of corporation tax would be reduced from 28% by 2% on 1 April 2011 and 1% each year thereafter until it reaches 23% On 22 March 2012 the UK Government announced that on 1 April 2012 the headline rate of corporation tax would be reduced by 2% rather than 1% to 24%, and 1% each year thereafter until it reaches 22%

These rate changes will affect the amount of future cash tax payments to be made by the Company and will also reduce the size of the Company's Deferred tax asset in the future

The change to 25% announced on 23 March 2011 was "substantively enacted" on 5 July 2011 and as such, in accordance with accounting standards, deferred tax has been calculated at a rate of 25% The effect of the change in rate to 24% would not significantly affect the Company's Deferred tax asset and will be reflected in the Company's financial statements for the year ending 28 February 2013 The proposed further reductions in the rate of corporation tax by 1% per annum to 22% by 1 April 2014 are expected to be enacted separately each year The effect of these further changes upon the Company's deferred tax balances cannot be reliably quantified at this stage

14. Borrowed funds

	2012	2011
	£'000	£'000
Amounts due to group undertakings (see note 17)	**3,690**	2,340

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made Amounts due to Lloyds UDT Limited are interest bearing at fixed rates set at the inception of lease agreements All other amounts are non-interest bearing

15. Other current liabilities

	2012	2011
	£'000	£'000
Other creditors	**-**	109
VAT	**6**	10
	6	119

16. Share capital

	2012	2011
	£'000	£'000
Allotted, issued and fully paid		
200 ordinary shares of £1 each	**-**	-

At 29 February 2012, the authorised share capital of the Company was £200 divided into 200 shares of £1 each

The immediate parent company is Black Horse Finance Holdings Limited (incorporated in England and Wales) The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (incorporated 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 undertaking of the smallest such group of undertakings Copies of the accounts of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN

Notes to the financial statements (continued)
For the year ended 29 February 2012

17. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited (incorporated in England & Wales) A number of transactions are entered into with related parties in the normal course of business These include loan and fee transactions A summary of the outstanding balances at the year end and the related income and expense for the year are set out below

	2012 £'000	2011 £'000
Amounts due from group undertakings		
United Dominions Trust Limited (see note 10)	**5,673**	4,047
Amounts due to group undertakings		
Lloyds UDT Limited (see note 14)	**3,690**	2,340
Interest income		
United Dominions Trust Limited	**198**	166
Lloyds UDT Limited	**-**	3
Total interest income (see note 4)	**198**	169
Management fees		
Lloyds UDT Limited (see note 6)	**-**	1

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 Banking Group plc board 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 Banking Group and consider that their services to the Company are incidental to their other activities within the Group

18. 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 Company's financial assets/liabilities and associated accounting is provided in note 1

18 1 Credit risk

Credit concentration - Loans and advances to customers

The Company lends predominantly to wholesale customers (being motor traders and corporate customers) geographically located in the United Kingdom

Loans and advances to customers – maximum exposure

	2012 £'000	2011 £'000
Neither past due nor impaired	**8**	125
Past due but not impaired	**12**	9
Impaired	**-**	15
Maximum credit exposure	**20**	149

Notes to the financial statements (continued)
For the year ended 29 February 2012

18. Financial risk management (continued)

18 1 Credit risk (continued)

Loans and advances to customers which are neither past due nor impaired

	2012 £'000	2011 £'000
Good quality	-	76
Satisfactory quality	-	38
Lower quality	8	11
Below standard, but not impaired	-	-
Total	**8**	125

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

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

	2012 £'000	2011 £'000
Past due up to 30 days	12	9
Past due from 30-60 days	-	-
Past due from 60-180 days	-	-
Total	**12**	9

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

Allowance for loans and advances to customers which are impaired

	2012 £'000	2011 £'000
Brought forward	1	1
Advances written off	-	-
Charge for year (including recoveries)	-	-
Recoveries of prior advances written off	(1)	-
At year end	-	1

The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1 4 All Loans and advances to customers are individually assessed for impairment

Repossessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles and other plant and machinery The Company does not take physical posession 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

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2011 £nil)

18 Financial risk management (continued)

18 2 Liquidity risk

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

18 3 Interest rate risk

Interest rate risk is managed at a divisional level As the Company is exposed to interest rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the rates

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in market swap rates which is the basis for the interest rate on intercompany balances A 0 5% increase or decrease is used to assess the possible change in Interest income This rate is appropriate as it is the amount by which the market swap rates increased in the year

If market swap rates increased by 0 5% (2011 0 9%) and all other variables remain constant this would increase Interest expense by £27,000 (2011 £36,000) and accordingly decrease Interest expense by £27,000 (2011 £36,000) if swap rates decreased by the same amount

18 4 Market risk

The Company believes it is not subject to market risk exposure as all residual values of amounts owed under finance lease agreements are guaranteed under the terms of the associated agreements

18 5 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives

18.6 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 balance sheet date

The aggregated fair value of Loans and advances to customers is approximately £20,000 (2011 £148,000) The carrying value of all other financial assets and liabilities is considered an approximation of fair value

19. 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 its funding requirements from its fellow group undertakings and does not raise funding externally

Notes to the financial statements (continued)

For the year ended 29 February 2012

20. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2011 £nil)

21 Post balance sheet events

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

22. Future developments

The following pronouncements will be relevant to the Company but were not effective at 29 February 2012 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
IFRS 13 Fair value Measurement[1]	Sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments Classification and Measurement [1&2]	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 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

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

2 IFRS 9 is the initial stage of the project to replace IAS 39 Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting Until all stages of the replacement project are complete it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39

The full impact of these pronouncements is being assessed by the Company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements