UDT Limited

Directors' report and financial statements
For the year ended 28 February 2013

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

646591

Directors

G Ferguson
M J D Griffiths
C K Sarfo-Agyare
C Sutton

Company secretary

P Gittins

Member of Lloyds Banking Group

Directors' report
For the year ended 28 February 2013

The directors present their report and the audited financial statements of UDT Limited ("the Company") for the year ended 28 February 2013

Business review

Principal activities

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 £181,000 (2012 £322,000) and Interest income of £181,000 (2012 £212,000)

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 and as such the Company ceased the majority of its operating lease business

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 Loans and advances to customers (and the associated income) has continued to reduce as individual lease agreements expire and assets are disposed of

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 28 February 2013, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2012 nil)

Dividends

No dividends were paid or proposed during the year ended 28 February 2013 (2012 £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 have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis

Directors

The names of the current directors are shown on the cover

The following changes have taken place during the year

M J D Griffiths	(appointed 21 November 2012)
C Sutton	(appointed 21 November 2012)
D J S Oldfield	(resigned 21 November 2012)

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 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
10th September 2013

Independent auditors' report to the member of UDT Limited

We have audited the financial statements of UDT Limited for the year ended 28 February 2013 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 28 February 2013 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

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

10 September 2013

Statement of comprehensive income

For the year ended 28 February 2013

	Note	2013 £'000	2012 £'000
Interest income	4	**181**	212
Other operating income	5	-	109
Impairment gains on Loans and advances to customers		-	1
Profit before tax	6	**181**	322
Taxation	9	**(53)**	(132)
Profit for the year attributable to owners of the parent, being total comprehensive income		**128**	190

The notes on pages 8 to 17 are an integral part of these financial statements

Balance sheet
As at 28 February 2013

	Note	2013 £'000	2012 £'000
ASSETS			
Other current assets	10	**5,879**	5,704
Loans and advances to customers	11	**7**	20
Deferred tax asset	12	**129**	197
Total assets		**6,015**	5,921
LIABILITIES			
Borrowed funds	13	**3,676**	3,690
Other current liabilities	14	**1**	6
Current tax liability		**138**	153
Total liabilities		**3,815**	3,849
EQUITY			
Share capital	15	**-**	-
Retained profits		**2,200**	2,072
Total equity		**2,200**	2,072
Total equity and liabilities		**6,015**	5,921

The notes on pages 8 to 17 are an integral part of these financial statements

The financial statements on pages 4 to 17 were approved by the board of directors and were signed on its behalf by

C K Sarfo-Agyare
Director

10th September 2013

Statement of changes in equity
For the year ended 28 February 2013

	Share capital £'000	Retained profits £'000	Total £'000
At 1 March 2011	-	1,882	1,882
Profit for the year being total comprehensive income	-	190	190
At 29 February 2012	-	**2,072**	**2,072**
Profit for the year being total comprehensive income	-	128	128
At 28 February 2013	-	**2,200**	**2,200**

The notes on pages 8 to 17 are an integral part of these financial statements

Cash flow statement

For the year ended 28 February 2013

	2013 £'000	2012 £'000
Cash flows generated from/(used in) operating activities		
Profit before tax	**181**	322
Adjustments for		
- Net decrease in Loans and advances to customers	**13**	128
- Net increase in Other current assets	**(175)**	(1,639)
- Net decrease in Other current liabilities	**(5)**	(113)
Cash generated from/(used in) operations	**14**	(1,302)
Group relief paid	**-**	(47)
Net cash generated from/(used in) operating activities	**14**	(1,349)
Cash flows (used in)/from financing activities		
(Repayment of)/Proceeds from borrowings with group undertakings	**(14)**	1,349
Net cash (used in)/from financing activities	**(14)**	1,349
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 17 are an integral part of these financial statements

Notes to the financial statements
For the year ended 28 February 2013

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 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 pronouncement relevant to the Company has been adopted in these financial statements

- Amendments to IFRS 7 Financial instruments Disclosures The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets The application of this pronouncement 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 28 February 2013 and which have not been applied in preparing these financial statements are given in note 21

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 on the net lending balance 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

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income

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

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

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

1. Accounting policies (continued)

1.3 Financial assets and liabilities (continued)

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

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 an intermediate parent company, 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

Notes to the financial statements (continued)

For the year ended 28 February 2013

2. Risk management policy (continued)

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 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 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
- 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 Monthly reviews of funding positions are undertaken to anticipate any shortfalls

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 17 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 suboptimal 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

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

Notes to the financial statements (continued)

For the year ended 28 February 2013

4 Interest income

	2013 £'000	2012 £'000
Interest income		
From finance leases	**6**	14
Group interest income (see note 16)	**175**	198
	181	212

5. Other operating income

	2013 £'000	2012 £'000
Release of excess accrual	-	109

6. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2012 £1,000) have been borne by a fellow group undertaking and are not recharged to the Company Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company

7. Staff costs

The Company did not employ any persons during the year (2012 none)

8. Directors' emoluments

No director received any fees or emoluments during the year (2012 £nil) The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 16)

9. Taxation

	2013 £'000	2012 £'000
a) Analysis of charge for the year		
UK corporation tax		
- Current tax on taxable profit for the year	**42**	153
- Adjustments in respect of prior years	**(57)**	34
Current tax (credit)/charge	**(15)**	187
UK deferred tax		
- Origination and reversal of timing differences	**13**	(55)
- Adjustments in respect of prior years	**55**	-
Deferred tax charge/(credit) (see note 12)	**68**	(55)
	53	132

Corporation tax is calculated at a rate of 24 2% (2012 26 2%) of the taxable profit for the year

Notes to the financial statements (continued)
For the year ended 28 February 2013

9 Taxation (continued)

b) Factors affecting the tax charge 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

	2013 **£'000**	2012 £'000
Profit before tax	**181**	322
Tax charge thereon at UK corporation tax rate of 24 2% (2012 26 2%)	**44**	84
Factors affecting charge		
- Adjustments in respect of prior years	**(2)**	34
- Effect of reduction in tax rate	**11**	14
Tax on profit on ordinary activities	**53**	132
Effective rate	**29 3%**	41 0%

10. Other current assets

	2013 **£'000**	2012 £'000
Amounts due from group undertakings (see note 16)	**5,879**	5,673
Other debtors	**-**	31
	5,879	5,704

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

	2013 **£'000**	2012 £'000
Gross loans and advances to customers	**7**	20
Less allowance for losses on loans and advances	**-**	-
Net loans and advances to customers	**7**	20
of which		
Due within one year	**7**	17
Due after one year	**-**	3
	7	20

Notes to the financial statements (continued)
For the year ended 28 February 2013

11. Loans and advances to customers (continued)

Loans and advances to customers include finance lease receivables

	2013 £'000	2012 £'000
Gross investment in finance lease contracts receivable		
- no later than one year	7	17
- later than one year and no later than five years	-	3
	7	20
Unearned future finance income on finance lease contracts	-	-
Net investment in finance lease contracts	7	20

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

	2013 £'000	2012 £'000
- no later than one year	7	17
- later than one year and no later than five years	-	3
	7	20

The unguaranteed residual value is £nil (2012 £nil)

The Company provides a range of finance lease products 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 (2012 £nil)

Further analysis of Loans and advances to customers is provided in note 17

12. Deferred tax asset

The movement in the Deferred tax asset is as follows

	2013 £'000	2012 £'000
Brought forward	197	142
(Charge)/credit for the year (see note 9)	(68)	55
Carried forward	129	197

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

	2013 £'000	2012 £'000
Accelerated capital allowances	(68)	55

Deferred tax asset comprises	2013 £'000	2012 £'000
Accelerated capital allowances	129	197

12 Deferred tax asset (continued)

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 from 25% to 23% has resulted in a reduction in the Company's net deferred tax asset at 28 February 2013 of £11,000 comprising a £11,000 charge included in the Statement of comprehensive income

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 This additional reduction to 20% is estimated to reduce the net deferred tax asset by a further £17,000 and will be reflected in the financial statements for the year ended 28 February 2014

13. Borrowed funds

	2013 **£'000**	2012 £'000
Amounts due to group undertakings (see note 16)	**3,676**	3,690

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

14. Other current liabilities

	2013 **£'000**	2012 £'000
Other tax and social security payable	**1**	6

15. Share capital

	2013 **£'000**	2012 £'000
Allotted, issued and fully paid		
200 ordinary shares of £1 each	-	-

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

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

16 Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited (incorporated in England and 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 on the next page

	2013 **£'000**	2012 £'000
Amounts due from group undertakings		
United Dominions Trust Limited (see note 10)	**5,879**	5,673
Amounts due to group undertakings		
Lloyds UDT Limited (see note 13)	**3,676**	3,690
Interest income		
United Dominions Trust Limited (see note 4)	**175**	198

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents Transactions in the year are those reflected through the Statement of comprehensive income

16 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 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 Group and consider that their services to the Company are incidental to their other activities within the Group

UK Government

In January 2009, the UK Government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer As at 28 February 2013, HM Treasury retained a significant interest in Lloyds Banking Group plc's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended 28 February 2013

17. 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

17 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

	2013 £'000	2012 £'000
Neither past due nor impaired	1	8
Past due but not impaired	6	12
Impaired	-	-
Maximum credit exposure	7	20

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

	2013 £'000	2012 £'000
Good quality	-	-
Satisfactory quality	1	-
Lower quality	-	8
Below standard, but not impaired	-	-
Total	1	8

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

	2013 £'000	2012 £'000
Past due up to 30 days	6	12
Past due from 30-60 days	-	-
Past due from 60-180 days	-	-
Total	6	12

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

Notes to the financial statements (continued)
For the year ended 28 February 2013

17 Fınancıal rısk management (contınued)

17 1 Credıt rısk (contınued)

Allowance for loans and advances to customers whıch are ımpaıred

	2013 £'000	2012 £'000
Brought forward	-	1
Recoverıes of prıor advances wrıtten off	-	(1)
Carrıed forward	-	-

The crıterıa used to determıne that there ıs objectıve evıdence of an ımpaırment ıs dısclosed ın note 1 4 All Loans and advances to customers are ındıvıdually assessed for ımpaırment

Repossessed collateral

Collateral held agaınst Loans and advances to customers ıs prıncıpally comprısed of motor vehıcles and other plant and machınery The Company does not take physıcal posessıon of any collateral, ınstead ıt uses agents to realıse the collateral's value as soon as practıcable, usually at auctıon, to settle ındebtedness Any surplus funds are then returned to the borrower or are otherwıse dealt wıth ın accordance wıth approprıate ınsolvency regulatıons

Durıng the year the Company repossessed collateral ın respect of defaulted debt wıth a value of £nıl (2012 £nıl)

17 2 Lıquıdıty rısk

The Company ıs funded entırely by companıes wıthın the Group Such fundıng ıs repayable on demand, although there ıs no expectatıon that such a demand would be made All other fınancıal lıabılıtıes are repayable on demand

17 3 Interest rate rısk

Interest rate rısk ıs managed at a dıvısıonal level As the Company ıs exposed to ınterest rate fluctuatıons a sensıtıvıty analysıs has been prepared to ıllustrate the ımpact of a change ın the rates

Interest rate rısk - sensıtıvıty analysıs

The sensıtıvıty analysıs ıs based on the Company's Amounts due from group undertakıngs and takes account of movement ın market swap rates whıch ıs the basıs for the ınterest rate on such balances A 0 6% ıncrease or decrease ıs used to assess the possıble change ın Interest ıncome Thıs rate ıs approprıate as ıt ıs the amount by whıch the market swap rates ıncreased ın the year

If market swap rates ıncreased by 0 6% (2012 0 5%) and all other varıables remaın constant thıs would ıncrease Interest ıncome by £34,000 (2012 £27,000) and accordıngly decrease Interest ıncome by £34,000 (2012 £27,000) ıf swap rates decreased by the same amount

17 4 Market rısk

The Company belıeves ıt ıs not subject to market rısk exposure as all resıdual values of amounts owed under fınance lease agreements are guaranteed under the terms of the assocıated agreements

17 5 Fınancıal strategy

The Company does not trade ın fınancıal ınstruments, nor does ıt use derıvatıves

17 6 Faır values of fınancıal assets and lıabılıtıes

The faır value of a fınancıal ınstrument ıs the amount at whıch the ınstrument could be exchanged ın a current transactıon between wıllıng partıes, other than ın a forced or lıquıdatıon sale

Faır values of Loans and advances to customers are estımated by dıscountıng antıcıpated cash flows (ıncludıng ınterest at contractual rates) at market rates for sımılar loans prevaılıng at the balance sheet date

The aggregated faır value of Loans and advances to customers ıs approxımately £7,000 (2012 £20,000) The carryıng value of all other fınancıal assets and lıabılıtıes ıs consıdered an approxımatıon of faır value

Notes to the financial statements (continued)
For the year ended 28 February 2013

18. 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

19. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2012 £nil)

20. Post balance sheet events

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

21 Future developments

The following pronouncements will be relevant to the Company but were not effective at 28 February 2013 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs (issued May 2012)	Sets out minor amendments to IFRS standards as part of the annual improvements process Most amendments clarified existing practice	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair value Measurement	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 the 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, this pronouncement is 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