

Registered Number 7016255

**DERBY BLUE 2009 PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

**DERBY BLUE 2009 PLC
DIRECTORS AND COMPANY INFORMATION**

DIRECTORS

SFM Directors Limited
SFM Directors (No.2) Limited
Claudia Wallace

COMPANY SECRETARY

SFM Corporate Services Limited

REGISTERED OFFICE

35 Great St. Helen's
LONDON
EC3A 6AP

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
LONDON
SE1 2RT

BANKERS

Lloyds Bank plc
Head Office
25 Gresham Street
LONDON
EC2V 7HN

DERBY BLUE 2009 PLC STRATEGIC REPORT

Company Number 7016255

The Directors present their strategic report for Derby Blue 2009 Plc (the "Company") for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to acquire an interest in a portfolio of corporate loans, to issue asset backed floating rate notes (the "Notes") in Sterling and to enter into financial arrangements in that connection. No future changes in activity are envisaged.

The Company commenced trading on 11 December 2009 when it issued £3,250,000,000 of Notes, of which £2,400,000,000 are listed on the Irish Stock Exchange. The proceeds of the Notes issuance were used to purchase an interest in a portfolio of corporate loans in the UK originated by Lloyds Bank plc (the "Originator" or "Lloyds").

The activities of the Company are conducted primarily by reference to a series of securitisation transaction documents (the "Transaction Documentation"). The securitisation structure has been established as a means of raising finance for Lloyds, a subsidiary of Lloyds Banking Group plc ("LBG"). The Transaction Documentation sets out the workings of the transaction and the principal risks to the holders of the Notes (the "Noteholders"). As such, these have not been reproduced in full in the financial statements. The Transaction Documentation is available at the Company's registered office.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

During the year no Notes were repaid (2012: £nil).

The Company has made all necessary interest payments on the Notes in accordance with the scheduled payment dates for the year ended 31 December 2013.

The Notes are due for repayment during October 2020. The Originator, who is also the Noteholder, is in possession of a Call Option, allowing for early redemption of the Notes in their entirety in certain circumstances, as outlined in the Transaction Documentation.

KEY PERFORMANCE INDICATORS ("KPIs")

The Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance and position of the Company. However, a defined set of KPIs for the securitisation transaction are set out in the Transaction Documentation and published as a quarterly investor report. All KPIs have been met.

Performance against the KPIs include the yield on the loan portfolio as the first line of credit enhancement to the Notes, the rate of repayment of the loans within the loan portfolio and an analysis of the characteristics of the underlying loans in the loan portfolio.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows against planned cashflows.

**DERBY BLUE 2009 PLC
STRATEGIC REPORT (CONTINUED)**

Company Number 7016255

KEY PERFORMANCE INDICATORS ("KPIs") (continued)

At the time of issue, each class of Notes was assigned a credit rating which reflected the likelihood of full and timely payment to the Noteholders of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Company's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. The Class A, B and C Notes are rated as AAA, AA+ and A respectively by Standard & Poors. Class S Notes are not rated and are unlisted. There has been no change in credit rating during the year and up to the date of approval of these financial statements.

On behalf of the Board



.....
Helena Whitaker
Per pro SFM Directors Limited
As Director

19 May 2014

DERBY BLUE 2009 PLC DIRECTORS' REPORT

Company Number 7016255

The Directors present their report and the audited financial statements for the Company, a public limited company registered in England and Wales, for the year ended 31 December 2013.

The Company is a wholly owned subsidiary of Derby Blue Holdings Limited, a company registered in England and Wales. The shares of Derby Blue Holdings Limited are held on a discretionary trust basis by SFM Corporate Services Limited for charitable purposes.

Derby Blue Holdings Limited holds the Company's entire issued share capital of 50,000 ordinary shares of £1 each (49,998 quarter paid shares and two fully paid £1 ordinary shares, one of which is held by SFM Nominees Limited as nominee in trust for Derby Blue Holdings Limited).

RESULTS AND DIVIDENDS

Profits on a cashflow basis are pre-determined under the Transaction Documentation. The Company has the right to a profit before tax of £1,000 (2012: £1,000) from the available revenue receipts for the financial year covered by this set of financial statements.

The results for the year are set out on page 11. The profit after taxation for the year amounted to £767 (2012: £755). The Directors do not recommend the payment of a dividend for the year (2012: £nil).

The Company's tax charge is based on the permanent tax regime for securitisation companies. All fair value adjustments on derivative contracts are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

FUTURE DEVELOPMENTS

An indication of the Company's likely future developments is included in the strategic report.

CORPORATE GOVERNANCE

The Directors have been charged with governance in accordance with the Transaction Documentation detailing the mechanism, the structure and operation of the transaction. The governance structure of the transaction is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Transaction Documentation.

The Transaction Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued the Company is largely exempt from the requirements of the Financial Conduct Authority Disclosure and Transparency Rules 7.1 *Audit committees* and 7.2 *Corporate governance* (save for the rule 7.2.5 requiring description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the Directors. The Directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee, or to publish a corporate governance statement.

DERBY BLUE 2009 PLC
DIRECTORS' REPORT (CONTINUED)

Company Number 7016255

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who served during the year and subsequently were as follows:

Claudia Wallace
SFM Directors Limited
SFM Directors (No.2) Limited

The Directors are also all Directors of Derby Blue Holdings Limited. None of the Directors has any beneficial interest in the ordinary share capital of the Company. None of the Directors has any interest in any material contract or arrangement with the Company either during or at the end of the year.

THIRD PARTIES INDEMNITIES

Qualifying third party indemnity provisions for the benefit of the Directors were in force during the year under review and remain in force as at the date of approval of the Directors' report and financial statements.

RISK MANAGEMENT

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise a Deemed Loan to the Originator (the "Deemed Loan") of the loans (equivalent to the value of its investment in the loans), cash and cash equivalents, Notes issued and various other receivables and payables.

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. These and other risks which may affect the Company's performance are detailed below. Further analysis of the risks facing the Company in relation to its financial instruments and the Company's financial risk management policies is provided in note 12.

All of the Company's financial assets and liabilities are denominated in Sterling and are linked to Sterling 3 month LIBOR either directly or via the use of derivative instruments. As such the Company has no currency risk and no market risk.

CREDIT RISK

Credit risk arises on the individual loans within the loan portfolio which are in turn secured on UK commercial assets. The performance of these loans is therefore influenced by the UK economic background.

To mitigate this risk a general reserve balance of £250,000,000 (2012: £250,000,000) is maintained, subject to available cash, to ensure that the Company can meet its obligations on the Notes. The requirement to use the general reserve would only arise in the event that there were no longer sufficient receipts available to pay certain items within the priority of payments as detailed within the Transaction Documentation. There was no movement in the general reserve fund in 2013 (2012: £nil).

DERBY BLUE 2009 PLC
DIRECTORS' REPORT (CONTINUED)

Company Number 7016255

RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Excess spread arises on the remaining income from the Deemed Loan after all interest is paid on the Notes and third party expenses have been settled. Additionally, under the terms of the Transaction Documentation the Originator may reacquire any or all of the individual loans, at an amount not less than the drawn value of the loan plus accrued interest, where in the opinion of the Collateral Administrator, Lloyds Bank plc ("Lloyds"), the loan has a significant risk of declining in credit quality. The exposure to credit risk is therefore considered to be sufficiently mitigated.

LIQUIDITY RISK

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the loans which underlie the Deemed Loan to the Originator and timely receipts from Lloyds in their capacity as the swap counterparty (the "Swap Counterparty").

In the event that sufficient funds are not available to redeem the Notes or make the interest payments due, an amount equal to such a shortfall will be deferred until such funds are received. To the extent that the income on the Deemed Loan does not provide sufficient funds to recover the Company's investment in the loan portfolio, the Company has no claim on the assets of Lloyds.

An optional redemption in full is available to the Company should it wish to repay any of the Notes earlier than the expected maturity date. Noteholders must be informed by giving not more than 60 nor less than 5 business days' notice.

The Company has made all necessary payments on the Notes in accordance with the scheduled payment dates for the year ended 31 December 2013.

INTEREST RATE RISK

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar; where this is not possible the Company uses derivative financial instruments to mitigate interest rate risk. An interest rate swap has therefore been entered into with Lloyds to manage the Company's exposure to interest rate risk. Accordingly the Company does not have any significant interest rate exposures. The Company has acquired a beneficial interest in loans and has entered into an interest rate swap with Lloyds under which it exchanges the variable rate income received on the loans for a LIBOR-based interest flow in order to settle interest due on the Notes.

OPERATIONAL RISK

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Transaction Documentation. Structured Finance Management Limited ("SFM") has been appointed to provide corporate services in accordance with a corporate services agreement. Lloyds has been appointed to act as account bank, loan servicer and cash manager on behalf of the Company.

**DERBY BLUE 2009 PLC
DIRECTORS' REPORT (CONTINUED)**

Company Number 7016255

RISK MANAGEMENT (continued)

BUSINESS RISKS

The principal business risks of the Company are set out in a number of asset and non-asset trigger events in the Transaction Documentation.

There have been no such trigger events since inception of the transaction. The Directors continue to actively monitor the Company for trigger events.

EMPLOYEES

The Company has employed no staff during the year ended 31 December 2013 or in the previous year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the the strategic report, 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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

**DERBY BLUE 2009 PLC
DIRECTORS' REPORT (CONTINUED)**

Company Number 7016255

INDEPENDENT AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

PricewaterhouseCoopers LLP have indicated their willingness to continue in office until the next annual general meeting. A resolution for their re-appointment will be proposed at the forthcoming annual general meeting of the Company.

So far as the Directors are each aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have each taken all the steps that he or she ought to have taken as a Director in order to make himself or herself 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(2) of the Companies Act 2006.

On behalf of the Board



.....
Helena Whitaker
Per pro SFM Directors Limited
As Director

19 May 2014

DERBY BLUE 2009 PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DERBY BLUE 2009 PLC

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Derby Blue PLC, comprise:

- the balance sheet as at 31 December 2013;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Strategic Report and in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

DERBY BLUE 2009 PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DERBY BLUE 2009 PLC (CONTINUED)

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

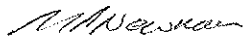
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



Michael Newman (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside
London
SE1 2RT

19 May 2014

DERBY BLUE 2009 PLC
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

		2013 £'000	2012 £'000
	Note		
Interest receivable and similar income	2	60,693	73,512
Interest payable and similar charges	3	(60,610)	(73,426)
		<hr/>	<hr/>
Net interest income		83	86
Operating expenses	4	(82)	(85)
		<hr/>	<hr/>
Profit before tax for the year		1	1
Taxation	5	-	-
		<hr/>	<hr/>
Profit after tax for the year		1	1
		<hr/> <hr/>	<hr/> <hr/>

There are no items of comprehensive income which have not already been presented in arriving at the profit for the year. Accordingly, the profit for the year is the same as total comprehensive income for the year.

The profit shown above is derived from continuing operations. The Company operates in a single business segment and all of the Company's activities are in the UK.

There was no income or expense recognised directly in equity in the current or preceding year.

The accompanying notes on pages 15 to 33 are an integral part of the financial statements.

**DERBY BLUE 2009 PLC
BALANCE SHEET
AS AT 31 DECEMBER 2013**

Company Number 7016255

	Note	2013 £'000	2012 £'000
Assets			
Deemed Loan to Originator	6	2,996,022	2,927,194
Other receivables	7	36	8
Cash and cash equivalents	8	265,779	334,844
Total assets		<u>3,261,837</u>	<u>3,262,046</u>
Equity and liabilities			
Debt securities in issue	9	3,261,779	3,262,007
Current tax liability	5	-	-
Other payables	10	41	23
Total liabilities		<u>3,261,820</u>	<u>3,262,030</u>
Share capital	11	13	13
Retained profits		4	3
Total equity		<u>17</u>	<u>16</u>
Total equity and liabilities		<u>3,261,837</u>	<u>3,262,046</u>

The accompanying notes on pages 15 to 33 are an integral part of the financial statements.

The Directors approved the financial statements on 19 May 2014.



.....
Helena Whitaker
Per pro SFM Directors Limited
As Director

DERBY BLUE 2009 PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Share capital £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2013		13	3	16
Profit for the year		-	1	1
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2013		13	4	17
		<hr/>	<hr/>	<hr/>
		Share capital £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2012		13	2	15
Profit for the year		-	1	1
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2012		13	3	16
		<hr/>	<hr/>	<hr/>

The accompanying notes on pages 15 to 33 are an integral part of the financial statements.

DERBY BLUE 2009 PLC
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2012 £'000
Operating Activities			
External audit fees paid		-	(20)
Other external fees paid		(92)	(66)
Tax paid		-	-
		<hr/>	<hr/>
Net cashflows used in operating activities		(92)	(86)
Investing Activities			
Increase in Deemed Loan to Originator		(2,299,913)	(3,001,789)
Principal repayments on Deemed Loan to Originator		2,233,339	2,321,551
Interest on Deemed Loan to Originator		81,333	81,438
Bank interest received		1,280	2,423
Interest payments on interest rate swap		(83,825)	(80,049)
Interest receipts on interest rate swap		59,651	73,911
		<hr/>	<hr/>
Net cashflows used in investing activities		(8,135)	(602,515)
Financing Activities			
Interest payments on debt securities in issue		(60,838)	(76,273)
		<hr/>	<hr/>
Net cashflows used in financing activities		(60,838)	(76,273)
		<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents		(69,065)	(678,874)
		<hr/>	<hr/>
Cash and cash equivalents at start of year		334,844	1,013,718
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	8	265,779	334,844
		<hr/> <hr/>	<hr/> <hr/>

The cashflow statement is presented using the direct method to improve the transparency of the financial statements.

The accompanying notes on pages 15 to 33 are an integral part of the financial statements.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. SIGNIFICANT ACCOUNTING POLICIES

The Company, registered in England and Wales, is domiciled in England.

The financial statements were authorised for issue by the Directors on 19 May 2014.

(a) Statement of compliance

The financial statements for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the European Union.

All accounting policies have been consistently applied in the financial statements.

The Company has adopted the following new standards and amendments to standards which became effective for financial years beginning on or after 1 January 2013. None of these standards or amendments to standards has had a material impact on these financial statements.

Changes in accounting policy

(i) IFRS 13 *Fair Value Measurement*

IFRS 13 has been applied with effect from 1 January 2013. IFRS 13 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. IFRS 13 requires that the fair value of a non-financial asset is determined based on the highest and best use of the asset, and that the fair value of a liability reflects its non-performance risk. These changes had no significant impact on the measurement of the Company's assets and liabilities. The IFRS 13 disclosures are given in note 12 'Management of risk' to the financial statements

Other presentation and disclosure changes

In addition to the accounting policy change discussed above, on 1 January 2013 the Company adopted the following new standards and amendments to standards which impact the presentation and disclosures in these financial statements; none of these has had a material impact on the primary financial statements.

- **Amendments to IAS 1 *Presentation of Financial Statements – 'Presentation of Items of Other Comprehensive Income'***
The amendments to IAS 1 require entities to group items presented in other comprehensive income on the basis of whether they may potentially be reclassified to profit or loss subsequently. The Company has no items of comprehensive income which have not already been presented in arriving at the loss for the year. Therefore no revision is required to the statement of other comprehensive income in these financial statements as a result of the new requirements.
- **Amendments to IFRS 7 *Financial Instruments: Disclosures – 'Disclosures – Offsetting Financial Assets and Financial Liabilities'***
The amendments to IFRS 7 require entities to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the Balance Sheet. These disclosures are given in note 12 'Management of risk' to the financial statements.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance (continued)

Other presentation and disclosure changes (continued)

- *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 requires an entity to disclose information that enables users of the financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. These disclosures are made in the notes to these financial statements.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared using the going concern basis. The Directors have reviewed the expected future cashflows and believe they are adequate to meet the anticipated payments due in accordance with the Transaction Documentation. The Directors believe that the Company has additional safeguards in place to cover any unexpected issues which may arise including access to a general cash reserve and the ability to defer payment in certain circumstances.

The financial statements are presented in Sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis.

(b) Revenue recognition

Interest receivable and similar income have been calculated 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 interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cashflows are estimated after considering all the contractual terms of the instrument but not future credit losses.

(c) Accrued interest

Accrued interest has been incorporated within the Deemed Loan and within the outstanding balance of debt securities in issue on the Balance Sheet. A split between principal and accrued interest can be found in notes 6 and 9 respectively.

(d) Taxation

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

The Company's tax charge is based on the permanent tax regime for securitisation companies. Tax is assessed on the cash retained as profit in the Company, ignoring all fair value adjustments on derivative contracts.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments

The Company's financial instruments comprise a Deemed Loan to Lloyds, cash and cash equivalents, Notes issued, derivatives ("Swaps") and other receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for Lloyds. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

(e)(i) Deemed Loan to Originator

Under IAS 39, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Directors of the Company have concluded that Lloyds has retained substantially all the risks and rewards of the loan portfolio and as a consequence, the Company does not recognise the loans on its Balance Sheet but rather a Deemed Loan, where recourse to Lloyds is limited to the cashflows from the loans and any additional credit enhancement provided by Lloyds.

The Deemed Loan is classified within "loans and receivables" and is stated at amortised cost using the effective interest method. The effective interest on the Deemed Loan is calculated with reference to the interest earned on the beneficial interest in the loan portfolio. Deferred consideration payable by the Company to the Originator is offset against the Deemed Loan.

Derivative financial instruments

IAS 39 requires all derivative financial instruments to be recognised initially at fair value on the Balance Sheet and to be re-measured to fair value at subsequent reporting dates. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability. The gain or loss on remeasurement to fair value is recognised immediately in the Statement of Comprehensive Income.

The Company uses derivative financial instruments to manage its exposure to interest rate risk arising from operational, financing and investing activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Interest rate risk associated with the Deemed Loan is managed by means of a fixed to floating interest rate swap with Lloyds, which requires the Company to pay the effective yield on the beneficial interest in the loan portfolio and receive payments based on a rate linked to the three-month Sterling LIBOR.

This swap is not recognised separately as a financial instrument as the amounts payable under the swap reflect interest flows from the loans which are not recognised by the Company for accounting purposes. Instead, the Deemed Loan is recognised with an effective interest rate which reflects the amount received or paid under the swap.

Interest receivable or payable under the interest rate swap is accounted for on an accruals basis within interest receivable or payable in the Statement of Comprehensive Income.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(e)(i) Deemed Loan to Originator (continued)

Impairment of financial assets

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 the Deemed Loan has become impaired.

Delinquencies and defaults on the underlying securitised assets will not result in an impairment loss if the cashflows from the asset portfolio are still expected to be sufficient to meet obligations under the limited recourse loan. Losses incurred on the securitised assets will not trigger an impairment as long as they do not exceed the credit enhancement granted by the Originator.

If there is objective evidence that an impairment loss has been incurred, an allowance account is established which is calculated as the difference between the balance sheet carrying value of the Deemed Loan asset and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at that loan's original effective interest rate.

(e)(ii) Cash and cash equivalents

The Company holds deposits and transaction bank accounts with Lloyds in its capacity as the account bank provider in accordance with the Transaction Documentation. These accounts are held in the Company's name and meet the definition of cash and cash equivalents. For the purpose of the cashflow statement, cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

These bank accounts are classified within "loans and receivables" in accordance with IAS 39 and income is being recorded using the effective interest method.

(e)(iii) Debt securities in issue

Debt securities in issue are recognised initially at fair value less directly related incremental transaction costs. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings on an effective interest basis.

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Effective interest rate method

In calculating the effective interest rate of financial instruments the Company takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

The effective yield has been calculated based on the expected life of the Notes issued by the Company.

Fair value calculations

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Fair value is based upon cash flow models which use, wherever possible, independently sourced market parameters such as interest yield curves and currency rates. Other factors are also considered, such as counterparty credit quality and liquidity.

Impairment of Deemed Loan

The Company's accounting policy for losses arising on the Deemed Loan classified as loans and receivables is described in note 1(e)(i). The allowance for impairment losses on loans and receivables is management's best estimate of losses incurred in the portfolio at the Balance Sheet date. Impairment allowances are established to recognise incurred impairment losses in the Company's loan portfolios carried at amortised cost. In determining whether impairment has occurred at the Balance Sheet date the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cashflows or their timings. Where this is the case, the impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cashflows discounted at the loan's original effective interest rate.

At 31 December 2013, impairment allowances against the Deemed Loan totalled £nil (2012: £nil).

(h) Dividends

Dividends on ordinary shares are recognised in equity in the year in which they are paid.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Interest receivable on Deemed Loan	59,415	71,315
Bank interest receivable	1,278	2,197
	<hr/>	<hr/>
	60,693	73,512
	<hr/>	<hr/>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest payable on Notes in issue	60,610	73,426
	<hr/>	<hr/>

4. OPERATING EXPENSES

	2013 £'000	2012 £'000
Audit fees	21	20
Administration charges	61	65
	<hr/>	<hr/>
	82	85
	<hr/>	<hr/>

The Company has also borne an audit fee of £3,000 (2012: £3,000) on behalf of its holding Company, Derby Blue Holdings Limited. There are no fees payable to the auditors and their associates for services other than the statutory audit.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

5. TAXATION

	2013	2012
	£'000	£'000
Current Tax		
Corporation tax charge for the year at a rate of 23.25 % (2012: 24.5 %)	-	-
	<hr/>	<hr/>
Total tax charge	-	-
	<hr/>	<hr/>

	2013	2012
	£'000	£'000
Reconciliation of effective tax rate		
The tax assessed for the year is equal to the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)		
Profit before tax	1	1
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	-	-
	<hr/>	<hr/>
Total corporation tax charge	-	-
	<hr/>	<hr/>

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24 per cent to 23 per cent with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21 per cent with effect from 1 April 2014 and 20 per cent with effect from 1 April 2015.

The current tax liability of £233 (2012: £245) represents the amount of corporation tax payable in respect of the year ended 31 December 2013.

6. DEEMED LOAN TO ORIGINATOR

	2013	2012
	£'000	£'000
Non current assets		
Principal	2,999,959	2,933,385
Current assets		
Interest	(3,937)	(6,191)
	<hr/>	<hr/>
TOTAL	2,996,022	2,927,194
	<hr/>	<hr/>

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

6. DEEMED LOAN TO ORIGINATOR (CONTINUED)

The current asset balance above includes accrued swap interest receivable and payable, in-line with the accounting policy in note 1(e)(i), which has resulted in a net credit position as at 31 December 2012 and 2013.

The loans portfolio, which is accounted for as a Deemed Loan and in which the Company holds a beneficial interest, is held by Lloyds. The loans are secured on commercial assets. Loans in the portfolio have to fulfil certain criteria. If they fail to do so they are reacquired by the Originator. Under the Transaction Documentation, the portfolio can be replenished until December 2014.

Contained within the Deemed Loan principal balance above is £113,691,098, (2012: £178,395,412) relating to deferred consideration payable by the Company to the Originator.

7. OTHER RECEIVABLES

	2013 £'000	2012 £'000
Prepaid expenses	36	8
	<u> </u>	<u> </u>

8. CASH AND CASH EQUIVALENTS

	2013 £'000	2012 £'000
Cash on deposit	250,000	250,000
Bank account	15,766	84,831
Share capital account	13	13
	<u> </u>	<u> </u>
Cash and cash equivalents in the cashflow statement	<u>265,779</u>	<u>334,844</u>

The cash on deposit is held with Lloyds. The Company earns a variable rate of interest of LIBOR for three-month Sterling deposits, which is recorded as interest receivable in the Statement of Comprehensive Income.

The bank accounts are also held with Lloyds. No interest on these accounts is earned by the Company. Withdrawals from these accounts are restricted by a detailed priority of payments set out in the Transaction Documentation.

The share capital account is held in a client account administered by SFM, a related party. This balance is held to the benefit of the Company. No interest on this account is earned by the Company.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

9. DEBT SECURITIES IN ISSUE

	2013	2012
	£'000	£'000
Non current liabilities		
Principal		
Class A Notes	1,950,000	1,950,000
Class B Notes	210,000	210,000
Class C Notes	240,000	240,000
Class S Notes	850,000	850,000
	<hr/>	<hr/>
Total non current liabilities	3,250,000	3,250,000
	<hr/> <hr/>	<hr/> <hr/>
	2013	2012
	£'000	£'000
Current liabilities		
Interest		
Accrued interest payable on Notes	11,779	12,007
	<hr/>	<hr/>
Total current liabilities	11,779	12,007
	<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities	3,250,000	3,250,000
Current liabilities	11,779	12,007
	<hr/>	<hr/>
	3,261,779	3,262,007
	<hr/> <hr/>	<hr/> <hr/>

Debt securities in issue at 31 December 2013 comprise the floating rate Notes issued by the Company in connection with the securitisation of loans originated within Lloyds. For more information about the Company's exposure to risk, see note 12.

These Notes are asset backed floating rate Notes issued by the Company to fund its operations. Each class of Notes is due for repayment on 20 October 2020. The Originator is in possession of a Call Option, allowing for early redemption of the Notes in their entirety in certain circumstances, as outlined in the Transaction Documentation.

The Notes constitute direct, secured, limited recourse obligations of the Issuer. The Class A Notes will rank in priority to the Class B Notes, the Class C Notes and the Class S Notes; the Class B Notes will rank in priority to the Class C Notes and the Class S Notes, and the Class C Notes will rank in priority to the Class S Notes. Notes of each Class will rank *pari passu*.

The Notes will be obligations of the Company only. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Company.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

9. DEBT SECURITIES IN ISSUE (CONTINUED)

Interest is payable on the Class A Notes at a variable rate based on three-month Sterling LIBOR plus a margin of 1.5 percent. Interest is payable on the Class B Notes at a variable rate based on three-month Sterling LIBOR plus a margin of 3.0 percent. Interest is payable on the Class C Notes at a variable rate based on three-month Sterling LIBOR plus a margin of 4.5 percent. Interest is payable on the Class S Notes in accordance with the detailed priority of payments set out in the Transaction Documentation.

The Company's obligations to Noteholders and to other secured creditors are secured under the terms of the deed of charge issued by the Company which grants security over all of its assets in favour of the security trustee.

10. OTHER PAYABLES

	2013 £'000	2012 £'000
Audit fee accrual	41	20
Accruals and deferred income	-	3
	<hr/>	<hr/>
	41	23
	<hr/> <hr/>	<hr/> <hr/>

11. SHARE CAPITAL

	2013 £'000	2012 £'000
ISSUED, ALLOTTED, CALLED UP AND PAID		
2 ordinary shares of £1 each (fully paid)	-	-
49,998 ordinary shares of £1 each (quarter paid)	13	13
	<hr/>	<hr/>
	13	13
	<hr/> <hr/>	<hr/> <hr/>

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. However considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The Directors do not consider there is a capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented within the Transaction Documentation. Cashflow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and as such is required by the rating agencies. In addition an interest rate swap is entered into with the Originator as part of the securitisation transaction to hedge interest rate risk arising in the transaction including the obligations under the Notes. The derivative counterparty is selected as a highly rated, regulated financial institution and this reduces the risk of default and loss for the Company.

12(a) Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Company.

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received on the Deemed Loan. The primary credit risk of the Company therefore relates to the credit risk associated with the loan portfolio originated within Lloyds.

The likelihood of defaults in the loan portfolio and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to loan and borrower characteristics and product type. Significant changes in the economy, or in the health of a particular geographical zone that represents a concentration in the securitised assets, could also affect the cashflows from the loan portfolio.

To mitigate this risk, credit enhancement is provided to the Company in the form of excess spread and a reserve fund. The income on the loan portfolio is expected to exceed the Company's expenses and the interest payable on the Notes. This excess income (excess spread) is available to make good any reduction in the principal balance of the loan portfolio which may arise as a result of defaults by customers.

An impairment charge on the Deemed Loan will only be considered when all the excess spread available has been utilised to cover the loan losses. Until that point, any specific loan losses will be netted against the loan interest, with a corresponding adjustment to deferred consideration. Therefore, there is no effect on the overall yield on the Deemed Loan. The Directors consider that the loan portfolio will be sufficient to repay the full amount of this Deemed Loan.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK (CONTINUED)

12(a) Credit risk (continued)

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agency that rates the Notes, the Transaction Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached.

Counterparty	Short Term Rating as at 31 December 2013	Short Term Rating as at date of approval of financial statements
	(S&P)	(S&P)
Lloyds Bank plc	A-1 (Standard & Poor's)	A-1 (Standard & Poor's)

In the event that a swap counterparty is downgraded by the rating agency below the ratings specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with sufficient rating, or taking such other action as it may agree with the rating agency.

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value. At the Balance Sheet date all financial assets subject to credit risk were neither past due nor impaired.

	2013	2012
	£'000	£'000
Assets held at amortised cost:		
Deemed Loan to Originator	2,996,022	2,927,194
Other receivables	36	8
Cash and cash equivalents	265,779	334,844
	<hr/>	<hr/>
	3,261,837	3,262,046
	<hr/> <hr/>	<hr/> <hr/>

The Company meets its obligation on the Notes issued from the cashflows it receives from the loan portfolio. As a consequence, the credit quality of the loans indicates the capacity of the Company to service its payments, although the loans remain on the Balance Sheet of Lloyds and the structure of the securitisation provides for other credit enhancements.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK (CONTINUED)

12(a) Credit risk (continued)

Financial assets subject to credit risk (continued)

Credit risk arises where there is a possibility that a counterparty may default on its obligations resulting in a loss to the Company. The Company has engaged the Originator as servicer of the loans in the portfolio to help reduce the risk of loss. The number of loans currently in arrears will have a bearing on the receipt of cash by the Company.

As noted in the Directors' report, the activities of the Company are conducted primarily by reference to the Transaction Documentation.

Under the terms of the Call Option Agreement entered into between the Company and the Originator, the Originator may repurchase any collateral loan and re-acquire the Issuer's beneficial interest in the related security (if any) in respect of such collateral loan if such collateral loan has become a Credit Impaired Obligation. A Credit Impaired Obligation is defined as a collateral loan which, (i) in the opinion of the Originator (a) has a significant risk of declining in credit quality and, with the lapse of time, may become a defaulted collateral loan, or (b) is declining in credit quality, or (ii) is a defaulted collateral loan.

In addition, the Originator may repurchase any collateral loan and re-acquire the Issuer's beneficial interest in the related security (if any) in respect of such collateral loan if, the Originator intends to sell the collateral loan or part thereof to a third party if such action is necessary or desirable from the point of view of a reasonably prudent lender.

During the year to 31 December 2013 loans and associated accrued interest totalling £79,883,919 (2012: £30,683,073) were repurchased by the Originator under the Call Option Agreement.

12(b) Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times.

The Deemed Loan, the Notes and the cash and cash equivalents are exposed to interest rate risk caused by floating interest rates that are reset periodically.

An interest rate swap has therefore been entered into with the Originator to manage the Company's exposure to interest rate risk associated with the Deemed Loan and Notes. The interest rate swap is in place to reduce interest rate risk as a result of the possible variance between (a) the weighted average, during an interest period, of (i) the rates of interest receivable on LIBOR loans, (ii) the rates of interest receivable on the base rate loans, (iii) the rates of interest receivable on the fixed rate loans and (b) the three month LIBOR based rate payable on the asset backed floating rate Notes.

Under the terms of the swap, the Company pays the interest received from the loan portfolio and receives a LIBOR based rate for three-month Sterling deposits.

The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the Deemed Loan.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK (CONTINUED)

12(c) Liquidity risk

The Company's ability to meet payments on the Notes as they fall due is dependent on the timely receipt of funds from the Deemed Loan which may be delayed due to the level of repayment on the underlying loan portfolio (see 12(d) prepayment risk below).

If insufficient funds are received to repay the Notes, then the Notes may not be paid in full and a part of the Notes may be deferred to subsequent periods. Such deferred amounts will be due but not payable until funds are available in accordance with the relevant priority of payments as set out in the Transaction Documentation. Variations in the rate of prepayment of principal on the loans may affect each series and class of Notes differently.

The liquidity tables reflect the undiscounted cash payments which will fall due if the structure continues until the expected final repayment date as defined in the Transaction Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). The final legal maturity date of the Notes is 20 October 2020.

2013	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years	> 5 Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	3,250,000	3,250,000	-	-	-	-	3,250,000
Other payables	41	41	-	-	41	-	-
Interest payable							
Interest payable on debt securities in issue	11,779	411,338	14,691	-	44,072	235,050	117,525
	<u>3,261,820</u>	<u>3,661,379</u>	<u>14,691</u>	<u>-</u>	<u>44,113</u>	<u>235,050</u>	<u>3,367,525</u>
2012							
	Carrying Value	Contractual repayment value	<1 Month	1-3 Months	3 Months – 1 Year	1-5 Years	> 5 Years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	3,250,000	3,250,000	-	-	-	-	3,250,000
Other payables	23	23	-	-	23	-	-
Interest payable							
Interest payable on debt securities in issue	12,007	472,440	14,764	-	44,291	236,220	177,165
	<u>3,262,030</u>	<u>3,722,463</u>	<u>14,764</u>	<u>-</u>	<u>44,314</u>	<u>236,220</u>	<u>3,427,165</u>

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK (CONTINUED)

12(d) Prepayment risk

In the normal course of business a proportion of borrowers repay their loan in advance of their contractual maturity. As a result the weighted average life of the Deemed Loan and of the Notes is likely to be significantly less than that implied by the contractual maturity dates of the loan portfolio.

The term of the Notes specifies that payments on the Notes will only be made to the extent that sufficient cashflows have been received from the Company's assets.

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, the availability of alternative financing programmes and local and regional economic conditions. In the event that prepayment rates on the loan portfolio reduce, principal repayments on the Deemed Loan and on the Notes may be spread over a longer period.

The Constant Prepayment Rate ("CPR") for the underlying loan portfolio is as follows:

	Monthly CPR %	1-month annualised %	3-month annualised %	12-month annualised %
31 December 2013	10.11	72.16	48.48	52.46
31 December 2012	9.76	70.85	63.90	58.22

12(e) Fair values

The Company's financial statements have been prepared under the historical cost convention.

Estimation of fair values

The manner in which financial instruments are designated for measurement purposes is set out in the accounting policies. The following comments summarise the main methods and assumptions used in estimating the fair value of financial instruments which take into account current market values.

Debt securities in issue

The notional principal at 31 December 2013 was £3,250,000,000 (2012: £3,250,000,000) and the fair value at 31 December 2013 was £3,255,097,000 (2012: £3,231,670,000).

For debt securities in issue, as prices are not observable in the market fair values have been calculated based on expected future cashflows adjusted for spreads observed from similar tranches of debt securities.

Other financial instruments held at amortised cost

The Deemed Loan, cash and cash equivalents and other receivables and payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

12. MANAGEMENT OF RISK (CONTINUED)

12(f) Offsetting

The Company has no financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

13. RELATED PARTY TRANSACTIONS

The Company pays a corporate services fee to Structured Finance Management Limited in connection with its provision of corporate management services. This amounted to an expense in the Statement of Comprehensive Income of £15,897 for the year ended 31 December 2013 (2012: £15,515).

The Company may be required to pay cash management and loan servicing fees to Lloyds in connection with its provision of services defined under the Transaction Documentation. It was agreed that no fee would be paid to Lloyds in this capacity in 2013 (2012: £nil).

During the year, the Company undertook the transactions set out below with companies within LBG.

	LBG and Subsidiary Undertakings 2013 £'000	LBG and Subsidiary Undertakings 2012 £'000
Interest receivable and similar income		
Income from Deemed Loan to Originator	59,415	71,315
Bank interest receivable	1,278	2,197
Interest payable and similar charges		
Interest on debt securities in issue	60,610	73,426
Assets		
Deemed Loan to Originator	3,113,650	3,111,780
Interest due on cash deposit	252	254
Cash and cash equivalents	265,766	334,831
Liabilities		
Deferred consideration	113,691	178,395
Net interest payable	4,189	6,445
Debt securities in issue	3,250,000	3,250,000
Interest payable on debt securities in issue	11,779	12,007

Derby Blue Holdings Limited holds one fully paid and 49,998 quarter paid £1 ordinary shares in the Company and SFM Nominees Limited holds one fully paid £1 ordinary share as a nominee in trust for Derby Blue Holdings Limited.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

14. FUTURE ACCOUNTING DEVELOPMENTS

The following pronouncements may have a significant effect on the Company's financial statements but are not applicable for the year ending 31 December 2013 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Company.

Pronouncement	Nature of change	IASB effective date
Amendment to IAS 32 Financial Instruments: Presentation – ' <i>Offsetting Financial Assets and Financial Liabilities</i> '	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.	Annual periods beginning on or after 1 January 2014.
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – ' <i>Novation of Derivatives and Continuation of Hedge Accounting</i> ' ¹	Provides relief from discontinuing hedge accounting in circumstances where a derivative designated as a hedging instrument is novated to a central counterparty as a consequence or introduction of laws or regulations.	Annual periods beginning on or after 1 January 2014.
IFRIC 21 Levies ¹	Clarifies that the obligating event that gives rise to a liability to pay a government levy is the activity that triggers the payment of the levy as set out in the relevant legislation. An entity does not have a constructive obligation to pay a levy that will be triggered by operating in future periods.	Annual periods beginning on or after 1 January 2014.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

14. FUTURE ACCOUNTING DEVELOPMENTS (CONTINUED)

Pronouncement	Nature of change	IASB effective date
IFRS 9 <i>Financial Instruments</i> ^{1,2}	Replaces those parts of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting. IFRS 9 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 instruments and eliminated the available-for-sale financial asset and held-to-maturity investment categories in IAS 39. The requirements for derecognition are broadly unchanged from IAS 39. The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.	Date yet to be determined.

⁽¹⁾ As 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. Further changes to IFRS 9 are expected dealing with impairment of financial assets measured at amortised cost, which will be based on expected rather than incurred credit losses, and limited amendments to classification and measurement which include the introduction of a third measurement category, fair value through other comprehensive income. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements.

DERBY BLUE 2009 PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

15. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent is Derby Blue Holdings Limited. The entire issued share capital of Derby Blue Holdings Limited is held by SFM Corporate Services Limited, a company registered in England and Wales, on a discretionary trust basis for charitable purposes under a declaration of trust.

The Company meets the definition of a special purpose entity under IFRSs. In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the Company's financial statements are consolidated within the group financial statements of Lloyds Banking Group ("LBG") for the year ended 31 December 2013.

The Directors consider that the Company's ultimate controlling party is LBG which is incorporated in Scotland. LBG has produced consolidated financial statements for the year ended 31 December 2013 which include the financial statements of the Company and therefore consolidated financial statements of the Company and its parent have not been prepared. Copies of the annual report and financial statements of LBG may be obtained from the LBG head office at The Mound, Edinburgh, EH1 1YZ.

16. EVENTS AFTER THE BALANCE SHEET DATE

On 27 March 2014, following a written resolution of the Noteholders, it was agreed that the Transaction Documentation be amended to extend the period in which the loan portfolio can be replenished to 31 December 2014. .