LLOYDS BANKING GROUP

SHIBDEN DALE LIMITED

YEAR ENDED 31 DECEMBER 2010

Member of Lloyds Banking Group

Registered Number 02132953

SHIBDEN DALE LIMITED

DIRECTORS

S B Allen
C G Dowsett
P Greig

SECRETARY

P Gittins

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68 – 73 Queen Street
Edinburgh
EH2 4NH

REGISTERED OFFICE

Level 7
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

REGISTERED NUMBER

02132953

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year, the principal activity of the company was managing its investments in limited partnerships The directors consider the results for the year to be satisfactory

The results of the company show a profit before taxation of £5,607,000 (2009 £34,918,000 *as restated*) for the year as set out in the statement of comprehensive income on page 5 The company has shareholder's equity of £162,049,000 (2009 £158,070,000 *as restated*)

During March 2010, six of the partnerships in which Shibden Dale Limited had investments were liquidated These partnerships were The Destiny Limited Partnership, The Melody Limited Partnership, The Symphony Limited Partnership, The Offaly Limited Partnership, The Portmanock Limited Partnership and The Roscomman Limited Partnership

In accordance with LBG's reporting policy regarding the interpretation of IAS21, 'The Effects of Changes in Foreign Exchange Rates', both the investment in subsidiaries and the company's share capital have been translated at the exchange rate prevailing on the date of issue of the shares and any foreign exchange movement on translation of the remaining balance sheet items has been taken to the statement of comprehensive income rather than a foreign exchange reserve in the balance sheet Due to this the statement of comprehensive income and the balance sheet for the year ended 31 December 2009 have been restated, the impact of which is described further in note 1(h) to the accounts

The company is reliant on funding ultimately provided by Lloyds Banking Group plc Owing to uncertainty in financial markets, Lloyds Banking Group plc participates in government sponsored measures to improve funding and liquidity The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2009 £nil)

DIRECTORS

The names of the directors of the company are shown on page 1 The following change in directors has taken place during the year and since the year ended

	Appointed	Resigned/ceased to be a director
C Richards	5 November 2007	23 April 2010
Y E Sharp	5 November 2007	30 June 2010
D L Shindler	5 November 2007	5 July 2010
L J Kavanagh	1 September 2008	31 August 2011
S B Allen	5 July 2010	-
C G Dowsett	5 July 2010	-
P Greig	13 September 2011	-

DIRECTORS' INDEMNITIES

The directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision" This contract came into force during the financial year and remains in force It is available for inspection at the registered office of Lloyds Banking Group plc

RESPONSIBILITIES OF DIRECTORS

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

REPORT OF THE DIRECTORS (CONTINUED)

RESPONSIBILITIES OF DIRECTORS (CONTINUED)

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 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

AUDITORS

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

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately For further details please refer to note '14 - Risk management of financial instruments' in these financial statements

KEY PERFORMANCE INDICATORS ('KPIs')

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS), regarding the making of payments to suppliers A copy of the code and information about it may be obtained from the BIS Publications Orderline 0845-0150010 (quoting ref URN 04/606)

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

As the company owed no amounts to trade creditors at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2009 nil)

On behalf of the board

C Dowsett
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIBDEN DALE LIMITED

We have audited the financial statements of Shibden Dale Limited for the year ended 31 December 2010 which comprise the, Statement of Comprehensive Income, the Balance Sheet, the Statement of Shareholders Equity, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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 to you in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh
Date 28/09/2011

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Note	2010 £000	2009 *Restated* £000
Income from partnerships	2	101	105
Other operating income	3	-	42,332
Finance income	4	482	11
Foreign exchange gain/(loss)		5,231	(7,296)
		5,814	35,152
Impairment charge	5	-	(44)
Administration expenses		(207)	(190)
Profit before taxation	6	5,607	34,918
Taxation charge	7	(1,628)	(3,437)
Profit after taxation and total comprehensive income for the year attributable to owners of the parent		3,979	31,481

The accompanying notes are an integral part of the Financial Statements

Registered Number. 02132953

BALANCE SHEET
As at 31 December 2010

	Note	2010 £000	2009 £000 *Restated*	2008 £000 *Restated*
Assets				
Non-current assets				
Investment in partnerships	8	36,281	36,222	121,714
Deferred tax asset	9	-	-	3,255
Other assets		-	27	233
Total non-current assets		36,281	36,249	125,202
Current assets				
Amounts owed by group companies	10	127,652	121,923	2,151
Other assets		29	182	206
Total assets		163,962	158,354	127,559
Liabilities				
Current liabilities				
Amounts owed to group companies	11	1,913	284	970
Total liabilities		1,913	284	970
Equity				
Share capital	12	131,176	131,176	131,176
Retained earnings	13	30,873	26,894	(4,587)
Total liabilities and equity		163,962	158,354	127,559

The directors approved the accounts on 28th September 2011

C G Dowsett

C G Dowsett
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2009 *as restated*	12,13	131,176	(4,587)	126,589
Total comprehensive income for the year				
Profit for the year *as restated*	13	-	31,481	31,481
Balance at 31 December 2009 and 1 January 2010 *as restated*	12,13	131,176	26,894	158,070
Total comprehensive income for the year				
Profit for the year	13	-	3,979	3,979
Balance at 31 December 2010	12,13	131,176	30,873	162,049

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT
For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash flow from operating activities	15	557	(712)
Financing activities			
Movement in bank deposits		(4,701)	(121,639)
Proceeds from disposal of investments		71	120,801
Additional capital contribution on investments		(130)	(77)
Net cash flow from financing activities		(4,760)	(915)
Effect of exchange rate difference		5,231	(240)
Net movement in cash and cash equivalents		1,028	(1,867)
Cash and cash equivalents at beginning of the year		156	2,023
Cash and cash equivalents at end of the year		1,184	156
Cash and cash equivalents are comprised of			
Cash at bank	10	1,184	156
		1,184	156

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below

The financial information has been prepared under the historical cost convention on a going concern basis, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative contracts, on the basis of IFRS

In preparing these financial statements the company has adopted IAS 1 (revised) Presentation of financial statements The adoption of IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company In accordance with the transitional requirements of the standards, the company has provided full comparative information

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below

- Impairment
The company regularly reviews the portfolio of financial assets for impairment In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets Where this is the case, the impairment loss is measured in accordance with note 1(b) below

(a) Investments in limited partnerships

Income from investments in limited partnerships is recognised in accordance with partnership agreement Distributions in excess of partnership profits are treated as a reduction of partnership investment The company's share of the partnerships' transactions with their investors are therefore included within the relevant items of these financial statements

(b) Impairment

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

The criteria that the company uses to determine that there is objective evidence of an impairment loss include
- Delinquency in contractual payments of principal and/or interest,
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty,
- Restructuring of debt to reduce the burden on the borrower,
- Breach of loan covenants or conditions, and
- Initiation of bankruptcy or individual voluntary arrangement proceedings

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the asset's implicit rate in the lease

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised as a credit to the income statement

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(c) Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised Income tax payable on profits is recognised as an expense in the period in which those profits arise The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

(d) Dividends

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

(e) Cash and cash equivalents

For the purposes of the cash flow 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

(f) Fair value

The fair value of finance lease receivables is derived from a present value cash flow model of expected cash flows from the lease, using current market interest rates and margin for the risks inherent in the lease

(g) Deferred fees

Fees that can be attribututed to residual value guarantees are capitalised in the balance sheet and subsequently amortised to the income statement over the guarantee term

(h) Foreign currency translation

Items included in the financial statements of Shibden Dale Limited are measured using the currency of the primary economic environment in which Shibden Dale Limited operates Consistent with the foreign currency translation accounting policy applied by LBG, which reflects LBGs interpretation of IAS21, the financial statements of Shibden Dale Limited are presented in sterling which is considered the company's functional currency

Foreign currency transactions are translated into sterling using the rates prevailing at the date of the transaction Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in a foreign currency are translated at year end exchange rates with translation movements recognised in the income statement

Subsequent to the opening balance sheet for the period, the allocation of foreign exchange movements to a foreign exchange reserve has been re-evaluated in line with LBG's policy and LBG's interpretation of IAS 21, as described below

(i) In the restated prior year comparatives, foreign exchange movements have been recognised through the income statement rather than being allocated to a foreign exchange reserve The impact of this reallocation on the balance sheet is to remove the foreign exchange reserve of £6,418,000 (2008 £67,000), decrease retained earnings by £7,634,000 (2008 £67,000) and decrease investments in partnerships by £250,000

(ii) The impact on the statement of comprehensive income comparatives is an increase to the foreign exchange gain by £6,601,000

(iii) Due to the restatement described above, the taxation charge for 2009 has also been restated, the impact of which is to increase the tax charge in the income statement by £966,000, decrease group relief receivable in the balance sheet by £682,000 and increase group relief payable in the balance sheet by £284,000

NOTES TO THE FINANCIAL STATEMENTS

2 Income from partnerships

	2010	2009
	£000	£000
Rental income	101	105
	101	105

Income from partnerships represents rentals earned in respect to two aircraft lease agreements held within the Zamrid 0365 and Zamrid 0372 limited partnerships (Note 8)

3 Other operating income

	2010	2009
	£000	£000
Gain on redemption of partnership investment	-	42,332
	-	42,332

Last year the investments in six of the partnerships (note 8) was significantly reduced This was due to the operating leases within these partnerships being terminated, resulting in a repayment of the capital invested by Shibden Dale Limited and a gain on redemption This income related to The Destiny Limited Partnership, The Melody Limited Partnership, The Symphony Limited Partnership, The Offaly Limited Partnership, The Portmanock Limited Partnership, and The Roscomman Limited Partnership

In March 2010, all 6 of the above partnerships were liquidated

4 Finance income

	2010	2009
	£000	£000
Interest receivable from other group companies	482	11
	482	11

5 Impairment charge

	2010	2009
	£000	£000
Impairment of investments	-	44
	-	44

In 2009, following the on-going review of the recoverability of the investment in partnerships, a provision of £44,000 was charged to the income statement relating to the value of the partnership investments No impairment provision is required this year for the remaining two partnerships The Zamrid 0365 Limited Partnership and The Zamrid 0372 Limited Partnership

6 Profit before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £6,700 (2009 £6,500) The company has no employees and the directors received no remuneration in respect of their services to the company

7 Taxation charge

	2010 £000	2009 £000 *Restated*
The charge for the year comprises		
Group relief payable on current taxation profit for the year	1,628	284
Adjustment in respect of prior year	-	(102)
Total group relief payable for year	1,628	182
Deferred taxation (Note 9)	-	2,999
Adjustment in respect of prior year (Note 9)	-	256
Total taxation charge for the year	1,628	3,437

Taxation on the company's profit for the year differed from the taxation charge that would arise using the standard rate of corporation tax of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000 *Restated*
Profit before taxation	5,607	34,918
Taxation charge at the standard rate of corporation tax	(1,570)	(9,777)
Prior year adjustment in respect of corporation tax	-	102
Prior year adjustment in respect of deferred tax	-	(256)
Non-tax deductible expenses	(57)	(64)
Non-taxable foreign exchange differences	(1)	(2,008)
Non-taxable partnership income repatriation	-	8,566
Total taxation charge for the year	(1,628)	(3,437)

8 Investment in partnerships

At the start of the year, investment in partnerships represented the company's investment, at cost, of the following partnerships The Destiny Limited Partnership (100%), The Melody Limited Partnership (100%), The Symphony Limited Partnership (100%), The Zamrid 0365 Limited Partnership (28%), The Zamrid 0372 Limited Partnership (28%), The Offaly Limited Partnership (100%), The Portmanock Limited Partnership (100%), and The Roscomman Limited Partnership (100%) All partnerships are domiciled in Grand Cayman, Cayman Islands The results of the partnerships were consolidated in the group accounts of Lloyds Banking Group plc (formerly Lloyds TSB Group plc), which has a financial year ended 31 December 2010

During the year, six of the partnerships were liquidated leaving only the investments in The Zamrid 0365 Limited Partnership (28%) and The Zamrid 0372 Limited Partnership (28%) at the year end

	2010 £000	2009 £000 *Restated*
At beginning of the year	36,222	121,714
Capital additions during the year	130	77
Redemption of partnership capital	(71)	(79,849)
Impairment of investments	-	(44)
Foreign exchange difference	-	(5,676)
At end of the year	36,281	36,222

NOTES TO THE FINANCIAL STATEMENTS

9 Deferred taxation

	2010 £000	2009 £000
At beginning of the year	-	3,255
Deferred taxation charge for the year	-	(2,999)
Adjustment in respect of prior year	-	(256)
At end of the year	-	-

The deferred tax asset in 2008 related to temporary differences arising from the cash held offshore in relation to the investee partnerships

The deferred taxation charge in the statement of comprehensive income comprises the following differences

	2010 £000	2009 £000
Cash held offshore in relation to the investee partnership	-	3,255
Total deferred taxation charge	-	3,255

10 Amounts owed by group companies

	2010 £000	2009 £000
Cash at bank	1,184	156
Amounts due from parent undertakings	123	119
Amounts due from subsidiary undertakings	126,345	121,648
	127,652	121,923

For further details please refer to note 16

11 Amounts owed to group companies

	2010 £000	2009 £000
Group relief payable	1,913	284
	1,913	284

For further details please refer to note 16

NOTES TO THE FINANCIAL STATEMENTS

12 Share capital

	2010	2009
Authorised		
Ordinary shares of $1 each	$300,000,000	$300,000,000
Ordinary shares of £1 each	£100	£100
Allotted, issued and fully paid		
197,420,508 ordinary shares of $1 each	£131,176,000	£131,176,000
Ordinary shares of £1 each	£2	£2

The company's immediate parent company is Bank of Scotland Structured Asset Finance Limited The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Group plc), a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member Bank of Scotland plc is the parent company of the smallest such group of undertakings Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN

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

The company's parent manages the company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing

The company's capital comprises all components of equity, movements in which appear in the statement of changes in equity and bank borrowings

13 Retained earnings

	2010 £000	2009 £000 *Restated*
At beginning of the year	26,894	(4,587)
Profit for the year	3,979	31,481
At end of the year	30,873	26,894

14 Risk management of financial instruments

The primary financial risks affecting the company are credit risk and liquidity risk and market risk (which include interest rate risk and foreign currency risk) Information on the management of these financial risks and further disclosures is given below

In accordance with IAS39 "Financial instruments Recognition and measurement", finance lease receivables are designated as loans and receivables and all other financial assets are designated as held at amortised cost The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses are recognised

NOTES TO THE FINANCIAL STATEMENTS

14 Risk management of financial instruments (continued)

Credit risk management:

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below The maximum exposure to loss is considered to the balance sheet carrying amount at 31 December 2010

Financial assets which are neither past due nor impaired	2010 £000	2009 £000
Amounts owed by group undertakings	127,652	121,923
Other assets	29	209
Total credit risk exposure	127,681	122,132

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc) Each financial asset is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease

Financial assets by credit rating

At 31 December 2010	AAA £000	AA £000	A £000	BBB £000	rated BB or lower £000	Not rated £000	Total £000
Amounts owed by group undertakings	-	127,652	-	-	-	-	127,652
Other assets	-	-	-	-	-	29	29
Total	-	127,652	-	-	-	29	127,681

At 31 December 2009	AAA £000	AA £000	A £000	BBB £000	rated BB or lower £000	Not rated £000	Total £000
Amounts owed by group undertakings	-	121,923	-	-	-	-	121,923
Other assets	-	-	-	-	-	209	209
Total	-	121,923	-	-	-	209	122,132

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in lease rentals or debt restructurings to reduce the financial burden on the lessee.

At 31 December 2010 and 2009 there were no impairments relating to credit risk against any financial assets The company's credit risk exposure under short–term debtors, deposits and other financial assets are represented by the book values in the above table

Fair value of financial assets is equal to the carrying value as at 31 December 2010 and 2009

14 Risk management of financial instruments (continued)

Liquidity risk management:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset

The liquidity profile of financial liabilities at year end was as follows

At 31 December 2010	Other liabilities £000	Total liabilities £000
On demand	1,913	1,913
Up to 1 month	-	-
1 – 3 months	-	-
3 – 12 months	-	-
1 – 5 years	-	-
Over 5 years	-	-
Total	1,913	1,913

At 31 December 2009	Other liabilities £000	Total liabilities £000
On demand	284	284
Up to 1 month	-	-
1 – 3 months	-	-
3 – 12 months	-	-
1 – 5 years	-	-
Over 5 years	-	-
Total	284	284

Other liabilities are repayable on demand

Fair value of financial liabilities is approximately equal to their book values

Interest rate risk management

The company has no exposure to variable rate financial assets or liabilities

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance income by £410,000 and finance costs by £5,000

Currency risk:

The financial statements are presented in sterling which is considered the company's functional currency This reflects a change in the previous accounting policy applied by Shibden Dale Limited which, prior to 2009, reported the company with a USD functional currency

14 Risk management of financial instruments (continued)

Currency risk (continued):

Below are the assets of the company disclosed in US dollars The company has no liabilities denominated in US dollars

	2010 $'000	2009 $'000
Investment in partnership	54,531	54,438
Amounts owed by group companies	199,291	198,559
Other assets	44	338
	253,866	253,335

15 Notes to the cash flow statement

	2010 £000	2009 £000 *Restated*
Profit from operations	5,607	34,918
Foreign exchange (gain)/loss	(5,231)	7,296
Impairment charge	-	44
Gain on redemption of partnership income	-	(42,332)
Operating cash flows before movements in working capital	376	(74)
Movement in receivables	181	230
Cash generated by operations	557	156
Group relief paid	-	(868)
Net cash flow from operating activities	557	(712)

NOTES TO THE FINANCIAL STATEMENTS

16 Related parties

The company's related parties include other companies in the Lloyds Banking Group and the company's key management personnel Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December were as follows

Nature of transaction	Related party	2010 £000	2009 £000
Cash at bank	Fellow subsidiary undertaking	1,184	156
Amounts due by group companies	Immediate parent undertaking	123	119
Amounts due by group companies	Fellow subsidiary undertaking	126,345	121,648
Group relief payable	Immediate parent undertaking	(1,913)	(284)

The company paid group relief of £nil (2009 £868,000) during the year to Bank of Scotland Structured Asset Finance Limited

The company received interest of £482,000 (2009 £11,000) during to the year from group undertakings

17 Post balance sheet events

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% with effect from 1 April 2011 In his Budget speech on 23 March 2011 the Chancellor announced a further reduction in the rate of corporation tax from 27% to 26% with effect from 1 April 2012 This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011 In addition, The Finance Act 2011 also includes legislation to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012

The proposed further reductions in the rate of corporation tax by 1% per annum to 23% from 1 April 2014 are expected to be enacted separately each year

On 3rd March 2011 the aircraft within The Zamrid 0365 Limited Partnership was disposed of for sale proceeds of $49,855,000 against the $50,000,000 investment On 18th April 2011 the aircraft within The Zamrid 0372 Limited Partnership was disposed of for sale proceeds of $49,793,000 against the $50,000,000 investment As a result of the residual value guarantee in place for both partnerships of $50,000,000 there was no gain or loss on the sales Both partnerships are now in the process of liquidation

NOTES TO THE FINANCIAL STATEMENTS

18 Future developments

The following accounting standard changes will impact the company in the next financial period

Pronouncement	Nature of change	IASB effective date
Improvements to IFRSs[1] (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010
Amendment to IAS1 *Financial statement presentation regarding other comprehensive income*[1]	Sets out requirement for entities to group items presented in 'Other Comprehensive Income' on the basis of whether they are potentially recycled to the income statement	Annual periods beginning on or after 1 July 2012
IFRS 9 *Financial Instruments Classification and Measurment*[1]	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two, fair value and amortised cost The existing available-for-sale and held-to-maturity categories have been eliminated Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows	Annual periods beginning on or after 1 January 2013
IFRS12 *Disclosure of interest in other entities*[1]	Sets out disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles	Annual periods beginning on or after 1 January 2013
IFRS13 *Fair value measurement*[1]	Establishes single source guidance for all fair value measurement to clarify the definition of fair value and to enhance fair value disclosures	Annual periods beginning on or after 1 January 2013
IAS 27 (revised 2011) *Separate financial statements*[1]	Sets out the provisions on separate financial statements that are left after the control provisions of IAS27 have been included in the new IFRS10	Annual periods beginning on or after 1 January 2013
IAS24 *Related Party Disclosures*	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011

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

With the exception of IFRS 9, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial statements