

SHIBDEN DALE LIMITED

31 December 2012

Member of Lloyds Banking Group

Registered Number 02132953



SHIBDEN DALE LIMITED

---

DIRECTORS

C G Dowsett  
S B Allen  
P Greig

COMPANY SECRETARY

P Gittins

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

25 Gresham Street  
London  
EC2V 7HN

REGISTERED COMPANY NUMBER

02132953

## REPORT OF THE DIRECTORS

### REVIEW OF BUSINESS

During the year, the principal activity of the company was the management of financial assets and liabilities and this is likely to continue for the foreseeable future

The results of the company show a loss before taxation of £8,438,000 (2011 £27,874,000 - profit) for the year as set out in the statement of comprehensive income on page 5

The company has shareholder's equity of £183,311,000 (2011 £189,683,000)

### DIVIDENDS

The directors did not authorise or pay any dividends during the year (2011 £nil)

### DIRECTORS

The names of the directors of the company are shown on page 1 There were no changes in directors during the year

No director had any interest in any material contract or arrangement with the company during or at the end of the year

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

### DIRECTORS' INDEMNITIES

The directors have the benefit of a deed of indemnity which constitutes a "qualifying third party indemnity provision" These deeds are in force during the whole of the financial year (or from the date of appointment in respect of the directors who join the board during the financial year) The indemnities remain in force at the date of signing these financial statements Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc

### 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

### AUDITORS' APPOINTMENT

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

**REPORT OF THE DIRECTORS (CONTINUED)**

**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 '13 - 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.

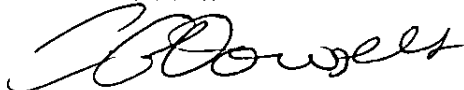
**POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The company follows 'The Prompt Payment Code' published by the Department for Business, Innovation and Skills (BIS) regarding the making of payments to suppliers. Information about the 'Prompt Payment Code' may be obtained by visiting [www.promptpaymentcode.org.uk](http://www.promptpaymentcode.org.uk)

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

As the company owed no amounts to trade creditors at 31 December 2012, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2011: nil).

On behalf of the board



C G Dowsett  
Director

Date 29/05/13

## **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 2012 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in 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 Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's 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. In addition, we read all the financial and non-financial information in the report of the directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

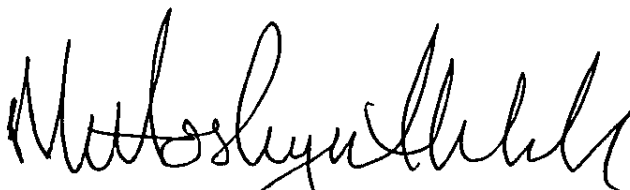
### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



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

Edinburgh

Date 29/05/2013

SHIBDEN DALE LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Income from partnerships	2	-	39
Finance income	3	-	166
		<u>-</u>	<u>205</u>
Other operating income	4	-	27,191
Administration expenses	5	(4)	(208)
Foreign exchange (loss)/gain		<u>(8,434)</u>	<u>686</u>
<b>(Loss)/profit before taxation</b>	6	<b>(8,438)</b>	<b>27,874</b>
Taxation credit/(charge)	7	<u>2,066</u>	<u>(240)</u>
<b>(Loss)/profit after tax and total comprehensive (loss)/income for the year attributable to owners of the parent</b>		<b><u>(6,372)</u></b>	<b><u>27,634</u></b>

The accompanying notes are an integral part of the Financial Statements

SHIBDEN DALE LIMITED

BALANCE SHEET  
As at 31 December 2012

	Note	2012 £000	2011 £000
<b>Assets</b>			
<b>Current assets</b>			
Amounts owed by group companies	9	183,311	191,550
Other assets		-	1
<b>Total current assets</b>		<u>183,311</u>	<u>191,551</u>
<b>Total assets</b>		<u>183,311</u>	<u>191,551</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts owed to group companies	10	-	1,868
<b>Total current liabilities</b>		<u>-</u>	<u>1,868</u>
<b>Equity</b>			
Share capital	11	131,176	131,176
Retained earnings	12	52,135	58,507
<b>Total equity</b>		<u>183,311</u>	<u>189,683</u>
<b>Total liabilities and equity</b>		<u>183,311</u>	<u>191,551</u>

The financial statements on pages 5 to 17 were approved by the Board of Directors on 29/01/13 and signed on its behalf by



C G Dowsett  
Director

Registered Number 02132953

The accompanying notes are an integral part of the Financial Statements

SHIBDEN DALE LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
<b>Balance at 31 December 2010</b>	11, 12	131,176	30,873	162,049
<b>Total comprehensive income for the year</b>				
Profit for the year	12	-	27,634	27,634
<b>Balance at 31 December 2011</b>	11, 12	131,176	58,507	189,683
<b>Total comprehensive loss for the year</b>				
Loss for the year	12	-	(6,372)	(6,372)
<b>Balance at 31 December 2012</b>	11, 12	131,176	52,135	183,311

The accompanying notes are an integral part of the Financial Statements

SHIBDEN DALE LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
<b>Net cash flow from operating activities</b>	<b>14</b>	<b>(4)</b>	<b>(266)</b>
<b>Investing activities</b>			
Proceeds from disposal of investments		-	64,174
Additional capital contribution on investments		-	(716)
<b>Net cash flow from Investing activities</b>		<b>-</b>	<b>63,458</b>
<b>Financing activities</b>			
Movement in bank borrowings		-	(63,923)
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>(63,923)</b>
Exchange movement on cash and cash equivalents		(20)	89
Net movement in cash and cash equivalents		(24)	(642)
Cash and cash equivalents at beginning of the year		542	1,184
<b>Cash and cash equivalents at end of the year</b>		<b>518</b>	<b>542</b>
Cash and cash equivalents are comprised of			
Cash at bank	9	518	542
		518	542

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. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Bank of Scotland plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

In preparing these financial statements the company has adopted IAS 1 (revised) Presentation of financial statements. The adoption of IAS 1 (revised) 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.

#### 1(a) Investments in limited partnerships

Income from investments in limited partnerships is recognised in accordance with the partnership agreement. Distributions in excess of partnership profits are treated as a reduction of partnership investment.

#### 1(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.

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

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)****1(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. Deferred tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

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

**1(d) Dividends**

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

**1(e) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months.

**1(f) Deferred fees**

Fees that can be attributed to negotiating and arranging a lease are capitalised in the balance sheet and subsequently amortised to the statement of comprehensive income over the lease term.

**1(g) Foreign currency translation**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges.

**2 Income from partnerships**

	2012 £000	2011 £000
Rental Income	-	39
	<hr/>	<hr/>
	-	39
	<hr/>	<hr/>

Income from partnerships represents the final rentals earned in respect of two aircraft lease agreements held within the Zamnd 0365 and Zamnd 0372 limited partnerships (Note 8).

The company's investment in these partnerships was redeemed in 2011.

SHIBDEN DALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**3 Finance income**

	2012 £000	2011 £000
Interest receivable from other group companies	-	166
	<u>-</u>	<u>166</u>

**4 Other operating income**

	2012 £000	2011 £000
Other income	-	13
Gain on redemption of partnership investment	-	27,178
	<u>-</u>	<u>27,191</u>

During the previous year the remaining two partnerships were liquidated. These liquidations resulted in a repayment of the capital invested by Shibden Dale Limited and a gain on redemption. The partnerships liquidated were Zamrid 0365 Limited Partnership and the Zamrid 0372 Limited Partnership.

**5 Administration expenses**

	2012 £000	2011 £000
Professional fees and other related expenses	4	208
	<u>4</u>	<u>208</u>

**6 (Loss)/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 (2011: £6,700). The company has no employees and the directors received no remuneration in respect of their services to the company.

**7 Taxation credit/(charge)**

	2012 £000	2011 £000
The taxation credit/(charge) for the year comprises		
Current tax payable on (loss)/profit for the year	2,066	(240)
	<u>2,066</u>	<u>(240)</u>

Where taxation on the company's (loss)/profit for the year differs from the taxation credit/(charge) that would arise using the standard rate of corporation tax of 24.5% (2011: 26.5%), the differences are explained below:

SHIBDEN DALE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

**7 Taxation credit/(charge) (continued)**

	2012 £000	2011 £000
(Loss)/profit before taxation	(8,438)	27,874
Tax at standard rate of corporation tax	2,067	(7,386)
Return of partnership capital	-	7,205
Non-tax deductible expenses	(1)	(54)
Non-taxable foreign exchange differences	-	(5)
Total taxation credit/(charge)	2,066	(240)

On 21 March 2012, the Government announced a reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013.

**8 Investment in partnerships**

	2012 £000	2011 £000
At beginning of the year	-	36,281
Capital additions during the year	-	716
Repayment of partnership capital	-	(36,997)
At end of the year	-	-

During the previous year, investment in partnerships represented the company's investment, at cost, in the following partnerships, the Zamnd 0365 Limited Partnership and the Zamnd 0372 Limited Partnership. Both partnerships were domiciled in Grand Cayman, Cayman Islands.

During the previous year both of the partnerships were liquidated leaving no investments in partnerships.

**9 Amounts owed by group companies**

	2012 £000	2011 £000
Cash at bank	518	542
Amounts due from parent company	182,595	191,008
Group relief receivable	198	-
	183,311	191,550

For further details please refer to note 15

**10 Amounts owed to group companies**

	2012 £000	2011 £000
Group relief payable	-	1,868
	-	1,868

For further details please refer to note 15

## NOTES TO THE FINANCIAL STATEMENTS

**11 Share capital**

	2012	2011
Authorised		
Ordinary shares of \$1 each	\$300,000,000	\$300,000,000
Ordinary shares of £1 each	£100	£100
	2012	2011
	£	£
Allotted, issued and fully paid		
Ordinary shares of \$1 each	131,176,278	131,176,278
Ordinary shares of £1 each	2	2
	<u>131,176,280</u>	<u>131,176,280</u>

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 and ultimate controlling party is Lloyds Banking 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 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.

**12 Retained earnings**

	2012	2011
	£000	£000
At beginning of the year	58,507	30,873
(Loss)/profit after tax and total comprehensive (loss)/income for the year	(6,372)	27,634
At end of the year	<u>52,135</u>	<u>58,507</u>

**13 Risk management of financial instruments**

The primary financial risks affecting the company are credit risk, 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", all 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.

**Credit risk management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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 be the balance sheet carrying amount as at 31 December 2012.

## NOTES TO THE FINANCIAL STATEMENTS

**13 Risk management of financial instruments (continued)**

## Credit risk management (continued)

	2012 £000	2011 £000
Financial assets which are neither past due nor impaired for credit risk		
Amounts owed by group companies	183,311	191,550
Other debtors	-	1
Total credit risk exposure	183,311	191,551

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each exposure 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 plc. In 2012 the company has no credit risk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group being a A (2011 A) credit rated financial institution. The financial assets by credit rating for 2011 are disclosed below.

## Financial assets by credit rating

	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
At 31 December 2011							
Amounts owed by group companies	-	-	191,550	-	-	-	191,550
Other assets	-	-	-	-	-	1	1
Total	-	-	191,550	-	-	1	191,551

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 settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 31 December 2012 and 2011 there were no impairments relating to credit risk against any financial assets. The 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 2012 and 2011.

## 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 other financial asset.

The company has no exposure to liquidity risk at the year end. The liquidity profile of financial liabilities at the year ended 31 December 2011 was as follows:

At 31 December 2011	Other liabilities £000	Total Liabilities £000
On demand	1,868	1,868
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
Total	1,868	1,868

The fair value of current liabilities approximates their carrying values.

## NOTES TO THE FINANCIAL STATEMENTS

**13 Risk management of financial instruments (continued)****Interest rate risk management**

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 not increase/reduce finance income or finance costs by a material amount

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes on foreign exchange rates

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, post tax loss would have changed by £456,000 primarily due to assets denominated in USD

Foreign currency risk - carrying amount	2012 \$000	2011 \$000
Financial assets		
Amounts owed by group companies	295,884	295,890
	<u>295,884</u>	<u>295,890</u>

**14 Notes to the cash flow statement**

	2012 £000	2011 £000
<b>(Loss)/profit from operations</b>	<b>(8,438)</b>	<b>27,874</b>
Add/(less) non cash items		
Foreign exchange movement	8,434	(686)
Gain on redemption of partnership income	-	(27,178)
	<u></u>	<u></u>
Operating cash flows before movements in working capital	(4)	10
Movement in receivables	-	9
	<u></u>	<u></u>
<b>Cash generated by operations</b>	<b>(4)</b>	<b>19</b>
Group relief paid	-	(285)
	<u></u>	<u></u>
<b>Net cash flow from operations</b>	<b>(4)</b>	<b>(266)</b>

## NOTES TO THE FINANCIAL STATEMENTS

**15 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	2012 £000	2011 £000
Cash at bank	Fellow subsidiary undertaking	518	542
Amounts due from parent company	Immediate parent undertaking	182,595	191,008
Group relief payable	Fellow subsidiary undertaking	-	(1,868)
Group relief receivable	Fellow subsidiary undertaking	198	-

The company received interest of £nil (2011 £166,000) during the year from group undertakings

The company paid group relief of £nil (2011 £285,000) during the year to fellow subsidiary undertakings

**16 Future developments**

The following accounting standard changes will impact the company in the future financial periods

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IAS 1, Financial statement comprehensive income comprehensive income	Requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments)	Annual periods beginning on or after 1 July 2012
IAS 32 'Financial instruments Presentation', on offsetting financial assets and financial liabilities	Updates the application guidance in IAS 32, 'Financial instruments Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet	Annual periods beginning on or after 1 January 2014
IFRS 7, 'Financial instruments Disclosures' on offsetting financial assets and financial liabilities	Enhances current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements	Annual periods beginning on or after 1 January 2013
IFRS 9 Financial Instruments <sup>1</sup>	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015
IFRS 12 Disclosure of Interests in Other Entities	Requires an entity to disclose information that enables users of 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	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements	Annual periods beginning on or after 1 January 2013

<sup>1</sup> At the date of this report, these pronouncements are awaiting EU endorsement

The initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

**17 Post balance sheet events**

The Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013

On 5 December 2012, the Government announced a further reduction in the main rate of corporation tax to 21% from 1 April 2014. In addition, on 20 March 2013 the Government announced a further reduction in the main rate of corporation tax to 20% from 1 April 2015