LLOYDS TSB MARITIME LEASING (NO 10) LIMITED

31 December 2009

Member of Lloyds TSB Group

4440166

25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke
A J Cumming
J M Herbert
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED NUMBER

4440166

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the period/year, the principal activity of the company was the leasing of plant and equipment through finance lease transactions and this is likely to continue for the foreseeable future

Following a strategic and operating review by the company's majority shareholder, the accounting reference date of the company was shortened from 31 May to 31 December Accordingly, the board present the financial accounts for the 7 month period ended 31 December 2009

The results of the company show a profit before taxation of £30,000 (31 May 2009 £nil) for the period as set out in the income statement on page 5 The company has a net deficit on shareholder's equity of £6,000 (31 May 2009 £nil)

The company is reliant on funding provided by Lloyds TSB Bank plc Notwithstanding the improvement in market liquidity during 2009, the company's ultimate parent company, Lloyds Banking Group plc, continues to be reliant on UK Government sponsored measures to maintain its wholesale funding position 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 period (31 May 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 period

	Resigned/ceased to be a director
A M Basing	7 September 2009

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

RESPONSIBILITIES OF DIRECTORS

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 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

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 '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

REPORT OF THE DIRECTORS

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 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil

On behalf of the board

T J Cooke
Director

30 September 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB MARITIME LEASING (NO 10) LIMITED

We have audited the financial statements of Lloyds TSB Maritime Leasing (No 10) Limited for the period ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholder's 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's member 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 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 2009 and of its profit and cash flows for the period 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 period 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

J Williamson

John Williamson
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Hay's Galleria
1 Hays Lane
London
SE1 2RD

30 September 2010

INCOME STATEMENT
For the period ended 31 December 2009 (Previously 12 months ended 31 May 2009)

	Note	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Finance income	2	63	-
Finance costs	3	(33)	-
Profit/result before taxation	4	30	-
Taxation charge	5	(8)	-
Profit/result for the period/year		22	-

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2009 (Previously 12 months ended 31 May 2009)

	Note	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Profit/result for the period/year		22	-
Movement in cash flow hedges, net of tax			
- effective portion of changes in fair value taken to equity	11	(28)	-
Total comprehensive income for the period/year		(6)	-

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2009 (Previously 12 months ended 31 May 2009)

	Note	31 December 2009 £000	31 December 2009 £000	31 May 2009 £000	31 May 2009 £000
Assets					
Non-current assets					
Finance lease receivables	6		7,527		-
Current assets					
Finance lease receivables	6	1,565		-	-
Deferred taxation	9	11		-	-
Other debtors		1,009	2,585	-	-
Total assets			10,112		-
Liabilities					
Current liabilities					
Amounts owed to group companies	7	10,106		-	
Other creditors		12	10,118	-	-
Total liabilities			10 118		-
Equity					
Share capital	10	-		-	
Other reserves	11	(28)		-	
Retained earnings	12	22	(6)	-	-
Total liabilities and equity			10,112		-

The directors approved the accounts on 30 September 2010

T J Cooke
Director

4440166

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 May 2008		-	-	-	-
Total comprehensive income for the year					
Result for the year	12	-	-	-	-
Balance at 31 May 2009	10,11,12	-	-	-	-
Total comprehensive income for the period					
Profit for the period	12	-	-	22	22
Change in fair value of cash flow hedges	11	-	(28)	-	(28)
Balance at 31 December 2009	10,11,12	-	(28)	22	(6)

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT
For the period ended 31 December 2009 (Previously 12 months ended 31 May 2009)

	Note	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Net cash flow from operating activities	14	(977)	-
Net movement in cash and cash equivalents		(977)	-
Cash and cash equivalents at the beginning of the period/year		-	-
Cash and cash equivalents at the end of the period/year	7	(977)	-

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, 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) Leases

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

When assets are leased under a finance lease the amount due from a lessee is recorded as a receivable at the present value of the lease payments being the company's net investment in the lease Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the company s net investment in the lease

Initial direct costs attributed to negotiating and arranging a finance lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term Fees and commissions received are deferred and recognised as an adjustment to the effective interest rate on the lease over the lease term

(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 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 taxation 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

(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, amounts due from banks with a maturity of less than three months and bank overdrafts

(f) Derivative financial instruments

All derivatives are recognised at their fair value Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative

Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the income statement

Derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated

The company designates derivatives as hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges)

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in comprehensive income, and in equity The gain or loss relating to the ineffective portion is recognised immediately in the income statement Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement

NOTES TO THE FINANCIAL STATEMENTS

2 Finance income

Finance income represents the income component of finance lease receivables earned in the period/year, being finance lease rentals less capital repayment

3 Finance costs

	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Interest payable on bank loans and overdrafts to other group companies	33	-

4 Profit before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the period was £8,500 (31 May 2009 £nil) The company has no employees and the directors received no remuneration in respect of their services to the company

5 Taxation charge

	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
The charge for the period comprises		
Group relief payable on current taxation position for the period/year	(8)	-
Total group relief payable for the period/year	(8)	-
Deferred taxation (Note 9)	-	-
Total taxation charge for the period/year	(8)	-

Where taxation on the company's profit for the period/year differs from the taxation charge that would arise using the standard rate of corporation tax of 28% (31 May 2009 28%), the differences are explained below

	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Profit/result before taxation	30	-
Taxation charge at the standard rate of corporation tax	(8)	-
Total taxation charge for the period/year	(8)	-

The tax effects relating to each component of other comprehensive income are as follows

31 December 2009	Before tax amount £000	Tax (expense) benefit £000	Net of tax amount £000
Movements in cash flow hedges			
Effective portion of changes in fair value taken to equity	(39)	11	(28)
Other comprehensive income for the period	(39)	11	(28)

NOTES TO THE FINANCIAL STATEMENTS

5 Taxation charge (continued)

31 May 2009	Before tax amount £000	Tax (expense) benefit £000	Net of tax amount £000
Movements in cash flow hedges			
Effective portion of changes in fair value taken to equity	-	-	-
Other comprehensive income for the year	-	-	-

6 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000	7 months to 31 December 2009 £000	12 months to 31 May 2009 £000
Amounts receivable under finance leases				
Within 1 year	2,071	-	1,565	-
2-5 years inclusive	7,995	-	7,110	-
After 5 years	436	-	417	-
	10,502	-	9,092	-
Less Unearned finance income	(1,410)	-		
Present value of minimum lease payments receivable	9,092	-		
Analysed as				
Non-current finance lease receivables	7,527	-		
Current finance lease receivables	1,565	-		
	9,092	-		

The fair value of the company's finance lease receivables at 31 December 2009 is estimated at £8 7 million

During the year, finance lease additions amounted to £10,628,000 (31 May 2009 £nil)

7 Amounts owed to group companies

	As at 31 December 2009 £000	As at 31 May 2009 £000
Bank overdraft	977	-
Group relief payable	8	-
Bank borrowings	9,067	-
Interest payable	15	-
Derivative financial instrument	39	-
	10,106	-

For further details please refer to note 15

NOTES TO THE FINANCIAL STATEMENTS

8 Derivative financial instruments

Derivative financial instruments include interest rate swaps An interest rate swap is an agreement between two parties to exchange fixed and floating interest payments, based upon interest rates defined in the contract, without the exchange of the underlying principal amounts The fair values of these derivative financial instruments are based on discounted cash flow models as at 31 December 2009

The principal derivatives used by the company are designated as cash flow hedges and are detailed below

	Contractual/notional amount £000	Fair values Asset £000	Fair values Liability £000
31 December 2009			
Interest rate swaps	9,067	-	39
31 May 2009			
Interest rate swaps	-	-	-

9 Deferred taxation

	As at 31 December 2009 £000	As at 31 May 2009 £000
At beginning of the period/year	-	-
Deferred taxation charge for the period/year	-	-
Movement in other reserves	11	-
At end of the period/year	11	-

The deferred taxation credit in the income statement is £nil (31 May 2009 £nil)

Deferred taxation assets comprise of the following

	As at 31 December 2009 £000	As at 31 May 2009 £000
Deferred taxation assets		
Cash flow hedge reserve	11	-
	11	-

NOTES TO THE FINANCIAL STATEMENTS

10 Share capital

	As at 31 December 2009 £	As at 31 May 2009 £
Authorised, allotted and issued		
Ordinary shares of £1 each	100	100

The company's immediate parent company is Lloyds TSB Leasing Limited The company regarded by the directors as the ultimate parent company 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 Lloyds Banking Group 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 as disclosed in note 7

11 Other reserves

	As at 31 December 2009 £000	As at 31 May 2009 £000
At beginning of the period/year	-	-
Change in fair value of cash flow hedges	(39)	-
Deferred taxation thereon	11	-
At end of the period/year	(28)	-

12 Retained earnings

	As at 31 December 2009 £000	As at 31 May 2009 £000
At beginning of the period/year	-	-
Profit/result for the period/year	22	-
At end of the period/year	22	-

NOTES TO THE FINANCIAL STATEMENTS

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 IAS 39 "Financial instruments Recognition and measurement ' finance lease receivables are designated as loans and receivables and all other financial assets and liabilities 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

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below Not taking account of any collateral held, the maximum exposure to loss is considered to be the balance sheet carrying amount as at 31 December 2009

Financial assets which are neither past due nor impaired	As at 31 December 2009 £000	As at 31 May 2009 £000
Finance lease receivables	9,092	-
Other debtors	1,009	-
Total credit risk exposure	10,101	-

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc Each lease or loan 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 The collateral held over the finance lease receivables includes legal charge over the underlying leased assets Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease The table below reflects the credit rating of the financial assets portfolio

Financial assets by credit rating

At 31 December 2009	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
Finance lease receivables	-	-	4,912	4,180	-	-	9,092
Other debtors	-	1,009	-	-	-	-	1,009
Total	-	1,009	4,912	4,180	-	-	10,101
At 31 May 2009	£000	£000	£000	£000	£000	£000	£000
Finance lease receivables	-	-	-	-	-	-	-
Other debtors	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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 2009 and 31 May 2009 there were no impairments relating to credit risk against any financial assets nor any lease receivables past due on scheduled lease payments 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

NOTES TO THE FINANCIAL STATEMENTS

13 Risk management of financial instruments (continued)

Liquidity risk management

At 31 December 2009	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total liabilities £000
On demand	977	-	20	997
Up to 1 Month	-	9,082	-	9,082
1 - 3 Months	-	-	-	-
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	977	9,082	20	10,079

At 31 May 2009	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Total liabilities £000
On demand	-	-	-	-
Up to 1 Month	-	-	-	-
1 - 3 Months	-	-	-	-
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	-	-	-	-

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking Other liabilities are repayable on demand

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

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio As such the company has no material exposure to financial risk arising from 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 £22,000 and finance costs by £22,000

Currency risk

The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk

NOTES TO THE FINANCIAL STATEMENTS

14 Notes to the cash flow statement

	As at 31 December 2009 £000	As at 31 May 2009 £000
Profit/result from operations	30	-
Operating cash flows before movements in working capital	30	-
Movement in receivables	(10,101)	-
Movement in payables	9,094	-
Net cash flow from operating activities	(977)	-

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) as at 31 December were as follows

Nature of transaction	Related party	As at 31 December 2009 £000	As at 31 May 2009 £000
Bank overdraft	Fellow subsidiary undertaking	(977)	-
Group relief payable	Immediate parent undertaking	(8)	-
Bank borrowings	Fellow subsidiary undertaking	(9,067)	-
Interest payable	Fellow subsidiary undertaking	(15)	-
Derivative financial instruments	Fellow subsidiary undertaking	(39)	-

Bank borrowings are interest bearing and during the period rates of interest of up to 8 36% (31 May 2009 nil%) were charged Finance costs of £33,000 (31 May 2009 £nil) were incurred during the period

16 Future developments

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

Pronouncement	Nature of change	IASB Effective date
Amendment to IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items	Clarifies how the principles underlying hedge accounting should be applied in particular situations	Annual periods beginning on or after 1 July 2009
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
IFRS 9 Financial Instruments Classification and Measurement[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
IAS24 Related Party Disclosures[1]	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

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