SEASPIRIT LEASING LIMITED

31 December 2013

Member of Lloyds Banking Group

Registered Number 04449174

DIRECTORS

C G Dowsett
G A Fox
R O Williams

COMPANY SECRETARY

M A A Johnson

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria 1
144 Morrison Street
Edinburgh
EH3 8EX

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

04449174

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31 December 2013

REVIEW OF BUSINESS

During the 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

The results of the company show a loss before taxation of £12,510,000 (2012 £2,070,000 loss) for the year as set out in the statement of comprehensive income on page 5

The company has a net deficit of shareholder's equity of £171,000 (2012 £5,055,000 surplus)

The company is reliant on funding provided by Lloyds Banking Group plc 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 (2012 £nil)

DIRECTORS

The names of the directors of the company who were in office at the date of the signing of financial statements are shown on page 1 The following changes in directors have taken place during the year

	Appointed	Resigned/ceased to be a director
S C Gledhill	-	29 May 2013
G A Fox	29 May 2013	-

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

Lloyds Banking Group plc has granted to the directors of the company, including former directors who resigned during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 The deed was in force during the whole of the financial year and at the date of approval of the financial statements (or from the date of appointment in respect of directors who joined the board of the company during the financial year) Directors no longer in office but who served on the board of the company at any time in the financial year had the benefit of this contract of indemnity during that period of service The indemnities remain in force for the duration of a director's period of office The deed indemnifies the directors to the maximum extent permitted by law The deed for existing directors are available for inspection at the registered office of Lloyds Banking Group plc In addition, the group has in place appropriate directors' and officers' liability insurance cover which was in place throughout the financial year

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, 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

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 15 '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

By order of the board

C G Dowsett

C G Dowsett
Director

Date 26th March 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SEASPIRIT LEASING LIMITED

We have audited the financial statements of Seaspirit Leasing Limited for the year ended 31 December 2013 which comprise 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 2013 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 matters 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-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

Date 26/03/2014

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Finance income	2	793	1,492
Finance costs	3	(6,224)	(1,440)
		(5,431)	52
Other operating income	4	16	-
Other operating expenses	5	(12)	-
Impairment charge	6	(2,398)	(1,125)
Foreign exchange loss		(4,685)	(997)
Loss before taxation	7	(12,510)	(2,070)
Taxation credit	8	7,284	1,649
Loss after tax and total comprehensive loss for the year attributable to owners of the parent		(5,226)	(421)

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2013

	Note	2013 £000	2012 £000
Assets			
Non-current assets			
Finance lease receivables	9	313,651	322,338
Total non-current assets		313,651	322,338
Current assets			
Finance lease receivables	9	-	2,285
Amounts owed by group companies	10	20,527	18,533
Other debtors		1	-
Total current assets		20,528	20,818
Total assets		334,179	343,156
Liabilities			
Current liabilities			
Amounts owed to group companies	11	305,113	303,578
Other creditors		4	-
Total current liabilities		305,117	303,578
Non-current liabilities			
Deferred taxation	12	29,233	34,523
Total non-current liabilities		29,233	34,523
Equity			
Share capital	13	-	-
Retained earnings	14	(171)	5,055
Total equity		(171)	5,055
Total liabilities and equity		334,179	343,156

The financial statements on pages 5 to 18 were approved by the Board of Directors on 26/03/2014 and signed on its behalf by

C G Dowsett

C G Dowsett
Director

Registered Number 04449174

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 31 December 2011	13, 14	-	5,476	5,476
Total comprehensive loss for the year				
Loss for the year	14	-	(421)	(421)
Balance at 31 December 2012	13, 14	-	5,055	5,055
Total comprehensive loss for the year				
Loss for the year	14	-	(5,226)	(5,226)
Balance at 31 December 2013	13, 14	-	(171)	(171)

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT
For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Net cash flow from operating activities	16	9,373	1,640
Financing activities			
Movement in bank borrowings		(1,317)	(1,617)
Net cash flow from financing activities		(1,317)	(1,617)
Net movement in cash and cash equivalents		8,056	23
Cash and cash equivalents at beginning of the year		23	-
Cash and cash equivalents at end of the year		8,079	23
Cash and cash equivalents are comprised of			
Cash at bank	10	8,079	23
		8,079	23

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

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) 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

A change in corporation tax can give rise to a reduction or increase in deferred tax Due to tax rate variation clauses in some of the company's leases this may lead to a reduction or increase in lease rentals This change in the lease rentals can give rise to a change in the interest rate implicit in the lease which when applied retrospectively, produces a one-off adjustment of the finance lease receivables carrying value This one-off adjustment is reported as either an impairment or other income in the statement of comprehensive income

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 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

1 Accounting policies (continued)

1(b) Impairment (continued)

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 statement of comprehensive income

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 statement of comprehensive income 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) 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

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 Finance income

	2013 £000	2012 £000
Finance lease income	793	1,492
	793	1,492

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

NOTES TO THE FINANCIAL STATEMENTS

3 Finance costs

	2013 £000	2012 £000
Interest payable on bank loans with other group companies	6,224	1,440
	6,224	1,440

4 Other operating income

	2013 £000	2012 £000
Other fees receivable	16	-
	16	-

5 Other operating expenses

	2013 £000	2012 £000
Other fees payable	12	-
	12	-

6 Impairment charge

	2013 £000	2012 £000
Tax rate variation	2,398	1,125
	2,398	1,125

The reduction in the main rate of corporation tax from 23% to 21% and then to 20% is disclosed further in note 12

The change in the rates of corporation tax has given rise to a reduction in deferred taxation and, because of tax rate variation clauses in the leases, a reduction in the lease rentals This reduction in rentals has given rise to a reduction in the interest rate implicit within the lease which when applied retrospectively, has produced an impairment of the finance lease receivables

7 Loss before taxation

Audit fees for the company are borne by the ultimate parent company, the audit fee attributed to this company for the year was £8,500 (2012 £8,500) The company has no employees and the directors received no remuneration in respect of their services to the company

8 Taxation credit

The taxation credit for the year comprises	2013 £000	2012 £000
Current tax receivable/(payable) on loss for the year	1,994	(322)
Adjustment in respect of prior year	-	(33,157)
Total current tax receivable/(payable) for the year	1,994	(33,479)
Deferred taxation (note 12)	915	828
Adjustment in respect of prior year (note 12)	-	31,281
Impact of tax rate change (note 12)	4,375	3,019
Total taxation credit for the year	7,284	1,649

Where taxation on the company's loss for the year differs from the taxation credit that would arise using the standard rate of corporation tax of 23 25% (2012 24 5%), the differences are explained below

	2013 £000	2012 £000
Loss before taxation	(12,510)	(2,070)
Tax at standard rate of corporation tax	2,909	506
Impact of tax rate change	4,375	3,019
Adjustment in respect of prior year	-	(1,876)
Total taxation credit	7,284	1,649

9 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
Amounts receivable under finance leases	2013 £000	2012 £000	2013 £000	2012 £000
Within 1 year	8,182	8,384	-	2,285
2 - 5 years inclusive	38,113	37,019	-	4,318
After 5 years	438,730	436,666	313,651	318,020
	485,025	482,069	313,651	324,623
Less Unearned finance income	(171,374)	(157,446)		
Present value of minimum lease payments receivable	313,651	324,623		
Analysed as				
Non-current finance lease receivable	313,651	322,338		
Current finance lease receivables	-	2,285		
	313,651	324,623		

The fair value of the company's finance lease receivables at 31 December 2013 is estimated at £273,406,000 (2012 £263,666,000)

10 Amounts owed by group companies

	2013 £000	2012 £000
Cash at bank	8,079	23
Amounts due from immediate parent undertaking	10,454	10,454
Group relief receivable	1,994	8,056
	20,527	18,533

For further details please refer to note 17

11 Amounts owed to group companies

	2013 £000	2012 £000
Bank borrowings	299,671	303,354
Interest payable	5,442	224
	305,113	303,578

For further details please refer to note 17

12 Deferred taxation

	2013 £000	2012 £000
At beginning of the year	34,523	69,651
Deferred taxation credit for the year	(915)	(828)
Adjustment in respect of prior year	-	(31,281)
Impact of tax rate change	(4,375)	(3,019)
At end of the year	29,233	34,523

The deferred taxation credit in the statement of comprehensive income comprises the following

	2013 £000	2012 £000
Capital allowances on assets leased to customers	5,290	35,128
Total deferred taxation credit	5,290	35,128

Deferred taxation liabilities are comprised as follows

	2013 £000	2012 £000
Capital allowances on assets leased to customers	29,233	34,523
Total deferred taxation liabilities	29,233	34,523

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013 In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and to 20% with effect from 1 April 2015 The change in the main rate of corporation tax from 23% to 20% has resulted in a reduction in the company's net deferred tax liability at 31 December 2013 of £4,375,000, comprising a £4,375,000 credit included in the statement of comprehensive income

13 Share capital

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

	2013 £	2012 £
Allotted, issued and fully paid		
Ordinary shares of £1 each	1	1
	1	1

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 or downloaded via www lloydsbankinggroup com

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 shareholder's equity

14 Retained earnings

	2013 £000	2012 £000
At beginning of the year	5,055	5,476
Loss after tax and total comprehensive loss for the year	(5,226)	(421)
At end of the year	(171)	5,055

15 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 are designated as held at amortised cost The accounting polices 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

Financial assets which are neither past due nor impaired for credit risk	2013 £000	2012 £000
Finance lease receivables	313,651	324,623
Amounts owed by group companies	20,527	18,533
Other debtors	1	-
Total credit risk exposure	334,179	343,156

15 Risk management of financial instruments (continued)

Financial assets by credit rating

At 31 December 2013	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
Finance lease receivables	-	-	-	-	313,651	-	313,651
Amounts owed by group companies	-	-	20,527	-	-	-	20,527
Other debtors	-	-	-	-	-	1	1
Total	-	-	20,527	-	313,651	1	334,179

At 31 December 2012	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
Finance lease receivables	-	-	-	-	324,623	-	324,623
Amounts owed by group companies	-	-	18,533	-	-	-	18,533
Total	-	-	18,533	-	324,623	-	343,156

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 2013 and 2012 there were no impairments relating to credit risk against any financial assets nor any lease receivables past due on scheduled lease payments The credit risk exposure under short–term debtors, deposits and other financial assets are represented by the book values in the above table

For financial assets held at amortised cost the fair value approximates to their carrying values, except for leases whose fair value is disclosed in note 9

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 liquidity profile of financial liabilities at year end was as follows

At 31 December 2013	Bank borrowings £000	Other liabilities £000	Total Liabilities £000
On demand	-	5,446	5,446
Up to 1 month	299,671	-	299,671
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	299,671	5,446	305,117

At 31 December 2012 (as restated)	Bank borrowings £000	Other liabilities £000	Total Liabilities £000
On demand	-	224	224
Up to 1 month	-	-	-
1-3 months	303,354	-	303,354
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	303,354	224	303,578

15 Risk management of financial instruments (continued)

Liquidity risk managment (continued)

The fair value of current liabilities approximates their carrying values

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc

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 both finance income and finance costs by £574,000 (2012 £759,000)

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 in foreign exchange rates

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies The company hedges the majority of its foreign currency exposure by taking out foreign currency swaps where necessary The fair value of any currency swap is included within derivative financial instruments if applicable

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, the change to post tax loss would be £159,000

Foreign currency risk - carrying amount	2013 $000	2012 $000
Financial assets		
Finance lease receivables	518,469	524,809
Amounts owed by group companies	33	2
	518,502	524,811
Financial liabilities		
Amounts owed to group companies	411,983	490,786
	411,983	490,786

16 Notes to the cash flow statement

	2013 £000	2012 £000
Loss from operations	(12,510)	(2,070)
Add non cash items		
Impairment charge	2,398	1,125
Foreign exchange movement	4,685	997
Operating cash flows before movements in working capital	(5,427)	52
Movement in receivables	2,236	1,614
Movement in payables	4,508	(48)
Cash generated by operations	1,317	1,618
Group relief received	8,056	22
Net cash flow from operations	9,373	1,640

17 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	2013 £000	2012 £000
Cash at bank	Fellow subsidiary undertaking	8,079	23
Amounts due from immediate parent undertaking	Immediate parent undertaking	10,454	10,454
Bank borrowings	Fellow subsidiary undertaking	(299,671)	(303,354)
Interest payable	Fellow subsidiary undertaking	(5,442)	(224)
Group relief receivable	Fellow subsidiary undertaking	1,994	8,056

Bank borrowings are interest bearing and during the year rates of interest of up to 0 52% (2012 0 56%) were charged Finance costs of £6,224,000 (2012 £1,440,000) were incurred during the year

The company received group relief of £8,056,000 (2012 £22,000) during the year from fellow subsidiary undertakings

18 Future developments

The following accounting standard changes will impact the company in the future financial periods Save as disclosed below, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements

Pronouncement	Nature of change	IASB effective date
Amendment to IAS 32 Financial Instruments Presentation – 'Offsetting Financial Assets and Financial Liabilities'	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement	Annual periods beginning on or after 1 January 2014
Amendments to IAS 39 Financial Instruments Recognition and Measurement – 'Novation of Derivatives and Continuation of Hedge Accounting'[1]	Provides relief from discontinuing hedge accounting in circumstances where a derivative designated as a hedging instrument is novated to a central counterparty as a consequence or introduction of laws or regulations	Annual periods beginning on or after 1 January 2014

18 Future developments (continued)

Pronouncement	Nature of change	IASB effective date
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'[1 2]	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting IFRS 9 requires financial assets to be classified into two measurement categories fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments and eliminated the available-for-sale financial asset and held-to-maturity investment categories in IAS 39 The requirements for derecognition are broadly unchanged from IAS 39 The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity s own credit risk is recorded in other comprehensive income The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach	Date yet to be determined
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

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

[2]IFRS 9 is the standard which will replace IAS 39 Further changes to IFRS 9 are expected dealing with impairment of financial assets measured at amortised cost, which will be based on expected rather than incurred credit losses, and limited amendments to classification and measurement which include the introduction of a third measurement category, fair value through other comprehensive income Until the standard is complete, it is not possible to determine the overall impact of the standard on the financial statements

19 Post balance sheet events

The Finance Act 2013 was substantively enacted on 2 July 2013 The Act further reduces the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015