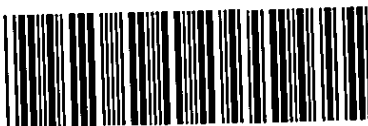


LLOYDS TSB MARITIME LEASING (NO.1) LIMITED  
Consolidated Financial Accounts  
30 September 2008

THURSDAY



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30/07/2009  
COMPANIES HOUSE

LLOYDS TSB MARITIME LEASING (NO 1) LIMITED

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25 Gresham Street London EC2V 7HN

DIRECTORS

T J Cooke  
A J Cumming (Alternate: A M Basing)  
J M Herbert  
R A Isaacs

SECRETARY

S Slattery

AUDITORS

PricewaterhouseCoopers LLP

REGISTERED OFFICE

25 Gresham Street  
London  
EC2V 7HN

REGISTERED NUMBER

4053677

## REPORT OF THE DIRECTORS

### REVIEW OF BUSINESS

During the year, the principal activity of the group was the leasing of plant and equipment through operating lease transactions. On 28 July 2008 the company exercised the rights under the partnership agreement to sell the whole of its investment in the partnerships for £114,161,000. The company will continue to look for appropriate investment opportunities.

On 21 December 2007 the company's immediate parent company, Lloyds TSB Leasing Limited ("LLL") entered into a contractual arrangement with Cosco Maritime (UK) Limited which limits the company's business activities to its current investment interest in its partnerships. No other transactions can be undertaken by the company unless agreed in writing with the third party. This undertaking will apply whilst the contractual agreement remains in full force and effect.

Due to the existence of the contractual arrangement control of the company as defined by IAS 27 "Consolidated and Separate Financial Statements" and Standing Interpretation Committee interpretation SIC-12 "Consolidation: Special Purpose Entities" was no longer deemed to reside with LLL and the results of the company and its subsidiaries are no longer consolidated as part of the Lloyds Banking Group, accordingly the directors present the consolidated financial accounts of Lloyds TSB Maritime Leasing (No.1) Limited (Parent company) and its subsidiaries for the year ending 30 September 2008 and consolidated prior period comparatives for the year ending 30 September 2007 as required under Section 5 of the Companies Act 1985.

The results of the group show a profit before tax of £11,240,000 (2007: £2,028,000 loss) for the year as set out in the income statement on page 5. The group has shareholder's equity of £1,051,000 (2007: £10,436,000 deficit).

### DIVIDENDS

The directors did not authorise or pay any dividends during the year (2007: £nil)

### DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year and since the year ended:

	Appointed	Resigned/ceased to be a director
P Higgins		16 May 2008
R A Isaacs	23 May 2008	
A B Vowles		21 May 2008

### RESPONSIBILITIES OF DIRECTORS

The directors are responsible for preparing the Annual 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. The financial statements are required by law to give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group 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 group'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 group's auditors are aware of that information.

## REPORT OF THE DIRECTORS

### PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the group, 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 '20 - 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 group follows "The Better Payment Practice Code" published by the Department of Business, Enterprise & Regulatory Reform (BERR), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BERR Publications Orderline [0845-0150010] (quoting ref. URN 04/606).

The group'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 group owed no amounts to trade creditors at 30 September 2008, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil.

On behalf of the board



S Slattery  
Secretary

22 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF LLOYDS TSB MARITIME LEASING (NO.1) LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Lloyds TSB Maritime Leasing (No.1) Limited for the year ended 30 September 2008 which comprise the Group and Company Income Statements, the Group and Company Balance Sheets, the Group and Company Statement of Changes in Shareholder's Equity, the Group and Company Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2008 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the parent company's affairs as at 30 September 2008 and of its profit and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors

The Quay  
30 Channel Way  
Ocean Village  
Southampton  
SO14 3QG

*28 July 2009*

## INCOME STATEMENT

For the year ended 30 September 2008

		Group		Company	
	Note	2008	2007	2008	2007
		£000	£000	£000	£000
Income from partnerships	2	-	-	541	3,285
Finance income	3	243	-	243	-
Operating lease income	4	7,715	7,284	-	-
Depreciation of property, plant and equipment	9	(6,752)	(3,591)	-	-
Finance costs	5	(4,490)	(5,187)	(4,490)	(5,187)
		(3,284)	(1,494)	(3,706)	(1,902)
Other operating income	6	15,052	-	15,052	-
Administration expenses		(528)	(534)	(106)	(126)
<b>Profit/(loss) before tax</b>	7	11,240	(2,028)	11,240	(2,028)
Taxation credit	8	258	2,313	258	2,313
<b>Profit for the year</b>		11,498	285	11,498	285

The accompanying notes are an integral part of the Financial Statements.

CONSOLIDATED BALANCE SHEET  
As at 30 September 2008

	Note	2008 £000	£000	2007 £000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	9	-		105,868	
Deferred taxation asset	14	5	5	-	105,868
<b>Current assets</b>					
Cash and cash equivalents	10	25,340		726	
Trade and other receivables	11	243	25,583	818	1,544
<b>Total assets</b>			<b>25,588</b>		<b>107,412</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings and other payables	12	24,537		93,934	
Other creditors		-	24,537	41	93,975
<b>Non-current liabilities</b>					
Deferred taxation	14		-		23,873
<b>Total liabilities</b>			<b>24,537</b>		<b>117,848</b>
<b>Equity</b>					
Share capital	15	-		-	
Other reserves	16	(11)		-	
Retained earnings	17	1,062	1,051	(10,436)	(10,436)
<b>Total liabilities and equity</b>			<b>25,588</b>		<b>107,412</b>

The directors approved the accounts on 22 July 2009.



**T J Cooke**  
Director

The accompanying notes are an integral part of the Financial Statements.

COMPANY BALANCE SHEET  
As at 30 September 2008

	Note	2008 £000	£000	2007 £000	£000
<b>Assets</b>					
<b>Non-current assets</b>					
Investment in limited partnerships	19	-		105,864	
Deferred taxation asset	14	5	5	-	105,864
<b>Current assets</b>					
Cash and cash equivalents	10	25,340		726	
Trade and other receivables	11	243	25,583	818	1,544
<b>Total assets</b>			<b>25,588</b>		<b>107,408</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Borrowings and other payables	12	24,537		93,930	
Other creditors		-	24,537	41	93,971
<b>Non-current liabilities</b>					
Deferred taxation	14		-		23,873
<b>Total liabilities</b>			<b>24,537</b>		<b>117,844</b>
<b>Equity</b>					
Share capital	15	-		-	
Other reserves	16	(11)		-	
Retained earnings	17	1,062	1,051	(10,436)	(10,436)
<b>Total liabilities and equity</b>			<b>25,588</b>		<b>107,408</b>

The directors approved the accounts on 22 July 2009.



**T J Cooke**  
Director

The accompanying notes are an integral part of the Financial Statements.



## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
<b>Balance at 30 September 2006</b>	15,16,17,18	-	-	(10,721)	(10,721)
Profit for the year	17	-	-	285	285
<b>Balance at 30 September 2007</b>	15,16,17,18	-	-	(10,436)	(10,436)
Profit for the year	17	-	-	11,498	11,498
Change in fair value of derivatives	16	-	(11)	-	(11)
<b>Balance at 30 September 2008</b>	15,16,17,18	-	(11)	1,062	1,051

## COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
<b>Balance at 30 September 2006</b>	15,16,17	-	-	(10,721)	(10,721)
Profit for the year	17	-	-	285	285
<b>Balance at 30 September 2007</b>	15,16,17	-	-	(10,436)	(10,436)
Profit for the year	17	-	-	11,498	11,498
Change in fair value of derivatives	16	-	(11)	-	(11)
<b>Balance at 30 September 2008</b>	15,16,17	-	(11)	1,062	1,051

The accompanying notes are an integral part of the Financial Statements.

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENT**  
For the year ended 30 September 2008

		Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
	Note				
<b>Net cash flow from operating activities</b>	21	(89,547)	238	(96,299)	(3,353)
<b>Investing activities</b>					
Property, plant and equipment disposal		114,161	-	-	-
Repayment of partnership capital		-	-	6,752	3,591
Sale of interest in partnerships		-	-	114,161	-
<b>Net cash flow from investing activities</b>		114,161	-	120,913	3,591
Net movement in cash and cash equivalents		24,614	238	24,614	238
Cash and cash equivalents at the beginning of the year		726	488	726	488
<b>Cash and cash equivalents at the end of the year</b>		25,340	726	25,340	726
Cash and cash equivalents are comprised of:					
Cash at bank	10	1,400	726	1,400	726
Bank deposits	10	23,940	-	23,940	-
		25,340	726	25,340	726

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 group has adopted IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements - Capital Disclosures. The adoption of IFRS 7 and 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 group. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of Lloyds TSB Maritime Leasing (No.1) Limited and its subsidiaries as at 30 September each year. The subsidiaries are those entities controlled by Lloyds TSB Maritime Leasing (No.1) Limited where control is defined as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies, but in accordance with UK GAAP. Adjustments have been made to bring into line any dissimilar accounting policies that may exist between IFRS and UK GAAP. All intercompany balances and transactions, including unrealised profits arising from intergroup transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Group and ceases to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of the subsidiary, the consolidated financial statements include the results for the part of the reporting year in which the Group has control.

**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(c) below.

**(a) Investments in limited partnerships**

Income from investments in limited partnerships is recognised when received. Distributions in excess of partnership profits are treated as a reduction of partnership investment.

**(b) 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 an operating lease the leased asset is included within property, plant and equipment at cost, including any initial direct costs, and depreciated over the life of the lease on a straight line basis after taking into account anticipated residual values. Operating lease rental income is recognised on a straight line basis over the life of the lease.

**(c) 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.

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 underlying lease.

## NOTES TO THE FINANCIAL STATEMENTS

**1 Accounting policies (continued)****(d) Taxation**

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

Deferred taxation 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 income 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 taxation 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 taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation 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.

**(e) Dividends**

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

**(f) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) 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.

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. Derivatives may only be designated as hedges provided certain strict criteria are met. At the inception of a hedge its terms must be clearly documented and there must be an expectation that the derivative will be highly effective 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 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.

**(h) Prior year adjustments and reclassification of comparatives**

The prior year comparatives for minority interests have been reclassified as current liabilities out of equity to conform to the current year presentation. The adjustment had no impact on the results of the group.

**2 Income from partnerships**

Income from partnerships represents the partnership profit attributable to the company based on its share of the partnership profit as defined in the partnership agreement.

**3 Finance income**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Interest receivable on bank deposits	243	-	243	-

NOTES TO THE FINANCIAL STATEMENTS

**4 Operating lease income**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Operating lease rental income	7,715	7,284	-	-

There were no lease rentals receivable during the year which were contingent on events other than the term of the lease, changes in Libor rates and UK corporation tax rates (2007: £nil).

**5 Finance costs**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Interest payable on bank loans	4,490	5,187	4,490	5,187

**6 Other operating income**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Fees and commissions	3	-	3	-
Profit on disposal of property, plant and equipment	15,049	-	-	-
Profit on sale of partnership interests	-	-	15,049	-
	15,052	-	15,052	-

**7 Profit/(loss) before tax**

Audit fees for the group are borne by the immediate parent company; the audit fee attributed to this company for the year was £8,500 (2007: £2,800). The company has no employees and the directors received no remuneration in respect of their services to the company.

**8 Taxation credit**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
The credit for the year comprises:				
Group relief (payable)/receivable on current taxation profit/(loss) for the year	(23,710)	1,585	(23,710)	1,585
Adjustment in respect of prior year	95	823	95	823
Total group relief (payable)/receivable for year	(23,615)	2,408	(23,615)	2,408
Deferred taxation (Note 14)	23,962	728	23,962	728
Adjustment in respect of prior year	(89)	(823)	(89)	(823)
Total taxation credit for the year	258	2,313	258	2,313

## NOTES TO THE FINANCIAL STATEMENTS

**8 Taxation credit (continued)**

Taxation on the company's profit/(loss) for the year did differ from the taxation (charge)/credit that would arise using the standard rate of corporation tax of 29% (2007: 30%). The differences are explained below:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Profit/(loss) before taxation	11,240	(2,028)	11,240	(2,028)
Taxation (charge)/credit at the standard rate of corporation tax	(3,260)	608	(3,260)	608
Permanent differences	3,543	-	3,543	-
Impact of tax rate change	(25)	1,705	(25)	1,705
Total taxation credit for the year	258	2,313	258	2,313

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect from 1 April 2008. The impact of this change on the financial accounts for the year ended 30 September 2007 is to recognise a one off adjustment to the deferred taxation liability reflecting the adjustment required to remeasure the deferred taxation liability at a lower rate of tax for the remaining life of the underlying assets.

**9 Property, plant and equipment**

	Group	
	2008	2007
	£000	£000
Operating lease assets: Ships		
Original cost:		
At beginning of the year	125,691	125,691
Disposals during the year	(125,691)	-
At end of the year	-	125,691
Depreciation:		
At beginning of the year	(19,823)	(16,232)
Disposals during the year	26,575	-
Charge for the year	(6,752)	(3,591)
At end of the year	-	(19,823)
Net book value at end of the year	-	105,868

## Future minimum lease payments under operating leases:

	Group	
	2008	2007
	£000	£000
Within 1 year	-	7,918
2 - 5 years inclusive	-	-
After 5 years	-	-
	-	7,918

## NOTES TO THE FINANCIAL STATEMENTS

## 10 Cash and cash equivalents

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Cash at bank	1,400	726	1,400	726
Bank deposits	23,940	-	23,940	-
	<hr/>	<hr/>	<hr/>	<hr/>
	25,340	726	25,340	726
	<hr/>	<hr/>	<hr/>	<hr/>

For further details please refer to note 22.

## 11 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Group relief receivable	-	818	-	818
Interest receivable	243	-	243	-
	<hr/>	<hr/>	<hr/>	<hr/>
	243	818	243	818
	<hr/>	<hr/>	<hr/>	<hr/>

For further details please refer to note 22.

## 12 Borrowings and other payables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Group relief payable	24,415	-	24,415	-
Management fees payable	100	-	100	-
Bank borrowings	-	92,709	-	92,709
Interest payable	6	1,221	6	1,221
Derivative financial instruments	16	-	16	-
Amounts owed to minority interests (note 18)	-	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	24,537	93,934	24,537	93,930
	<hr/>	<hr/>	<hr/>	<hr/>

For further details please refer to note 22.

## 13 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 principal derivatives used by the company are designated as cash flow hedges and are detailed below.

	Contract/notional amount	Fair value assets £000
Group and company		
30 September 2008		
Interest rate swaps	23,940	16
	<hr/>	<hr/>
30 September 2007		
Interest rate swaps	-	-
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

**14 Deferred taxation**

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
At beginning of the year	23,873	23,778	23,873	23,778
Deferred taxation charge for the year	(23,962)	(728)	(23,962)	(728)
Adjustment in respect of prior year	89	823	89	823
Movement in other reserves	(5)	-	(5)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	(5)	23,873	(5)	23,873
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred taxation (credit)/charge in the income statement comprises the following differences:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Accelerated tax depreciation	(23,962)	977	(23,962)	977
Adjustment in respect of prior year	89	823	89	823
Impact of tax rate change	-	(1,705)	-	(1,705)
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred taxation (credit)/charge	(23,873)	95	(23,873)	95
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred taxation assets and liabilities are comprised as follows:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Deferred taxation assets				
Cash flow hedges	5	-	5	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred taxation liabilities				
Accelerated tax depreciation	-	23,873	-	23,873
	<hr/>	<hr/>	<hr/>	<hr/>

**15 Share capital**

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Authorised, allotted and issued:				
Ordinary shares of £1 each	100	100	100	100
	<hr/>	<hr/>	<hr/>	<hr/>

The authorised share capital is fully issued and paid up. The share capital is wholly owned by Lloyds TSB Leasing Limited which is a wholly owned subsidiary of the Lloyds Banking Group plc (formerly Lloyds TSB Group plc).

The directors objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets subject to the constraints of the control agreement, see Note 22.

In order to maintain the capital structure, the directors may adjust the amount of dividend to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing

The group'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 12.



## NOTES TO THE FINANCIAL STATEMENTS

## 16 Other reserves

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
At beginning of the year	-	-	-	-
Change in fair value of cash flow hedges	(16)	-	(16)	-
Deferred taxation thereon	5	-	5	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of the year	(11)	-	(11)	-

## 17 Retained earnings

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
At beginning of the year	(10,436)	(10,721)	(10,436)	(10,721)
Profit for the year	11,498	285	11,498	285
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of the year	1,062	(10,436)	1,062	(10,436)

## 18 Minority interests

Minority interests represents the proportion of the net assets of the group that are not owned by directly or indirectly by Lloyds TSB Maritime Leasing (No.1) Limited. The balance of minority interests in the group and included within borrowings as at 30 September 2008 was £nil (2007: £4,235).

## 19 Investment in limited partnerships

	Company	
	2008	2007
	£000	£000
At beginning of the year	105,864	109,455
Repayment of partnership capital	(6,752)	(3,591)
Sale of interest in partnership capital	(99,112)	-
	<u>          </u>	<u>          </u>
At end of the year	-	105,864

This represented the company's investment, at cost, of a 99.996% interest as a limited partner in The Cosbright Shipping Limited Partnership, The Cosforce Shipping Limited Partnership and The Coswin Shipping Limited Partnership, UK limited partnerships, each of which carried on business as an owner and charterer of a ship.

On 28 July 2008 the company exercised the rights under the partnership agreement to sell the whole of its investment in the partnerships for £114,161,000. The profit on sale is shown in other operating income (Note 6).

## 20 Risk management of financial instruments

The primary financial risks affecting the group are: credit risk and liquidity risk and market risk (which include interest rate 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" financial assets and liabilities are designated as held at amortised cost. The accounting policies note 1 describes how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised.

## NOTES TO THE FINANCIAL STATEMENTS

**20 Risk management of financial instruments (continued)****Credit risk management:**

The maximum credit risk exposure of the group in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to the balance sheet carrying amount as at 30 September 2008.

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Financial assets which are neither past due nor impaired:				
Cash and cash equivalents	25,340	726	25,340	726
Trade and other receivables	243	818	243	818
	<hr/>	<hr/>	<hr/>	<hr/>
Total credit risk exposure	25,583	1,544	25,583	1,544
	<hr/>	<hr/>	<hr/>	<hr/>

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

**Financial assets by credit rating: Group and company:**

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
At 30 September 2008							
Cash and cash equivalents	25,340	-	-	-	-	-	25,340
Trade and other receivables	243	-	-	-	-	-	243
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	25,583	-	-	-	-	-	25,583
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2007							
Cash and cash equivalents	726	-	-	-	-	-	726
Trade and other receivables	818	-	-	-	-	-	818
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,544	-	-	-	-	-	1,544
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

At the balance sheet date the group 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 30 September 2008 and 2007 there were no impairments relating to credit risk against the financial assets. The group's credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

**Liquidity risk management**

	Bank borrowings	Group Other liabilities	Total liabilities
	£000	£000	£000
At 30 September 2008			
On demand	-	24,521	24,521
Up to 1 Month	-	-	-
1 - 3 Months	-	-	-
3 - 12 Months	-	-	-
1 - 5 Years	-	-	-
Over 5 years	-	-	-
	<hr/>	<hr/>	<hr/>
Total	-	24,521	24,521
	<hr/>	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

## 20 Risk management of financial instruments (continued)

	Bank borrowings £000	Group Other liabilities £000	Total liabilities £000
At 30 September 2007			
On demand	-	45	45
Up to 1 Month	93,930	-	93,930
1 - 3 Months	-	-	-
3 - 12 Months	-	-	-
1 - 5 Years	-	-	-
Over 5 years	-	-	-
Total	93,930	45	93,975
	Bank borrowings £000	Company Other liabilities £000	Total liabilities £000
At 30 September 2008			
On demand	-	24,521	24,521
Up to 1 Month	-	-	-
1 - 3 Months	-	-	-
3 - 12 Months	-	-	-
1 - 5 Years	-	-	-
Over 5 years	-	-	-
Total	-	24,521	24,521
	Bank borrowings £000	Company Other liabilities £000	Total liabilities £000
At 30 September 2007			
On demand	-	41	41
Up to 1 Month	93,930	-	93,930
1 - 3 Months	-	-	-
3 - 12 Months	-	-	-
1 - 5 Years	-	-	-
Over 5 years	-	-	-
Total	93,930	41	93,971

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a subsidiary of the Lloyds Banking Group. 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 group 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 the finance income is matched to the terms of its borrowings.

Where interest rate risk is not covered by the structure of the assets and liabilities the group, where required, will enter into interest rate swap transactions to hedge against any cash flow interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS

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

## Interest rate sensitivity analysis – Impact on income statement

	Carrying amount £000	+25 bp £000	-25 bp £000
<b>Financial assets</b>			
Bank deposits	23,940	60	(60)
Impact of taxation (29%)		(17)	17
Impact on financial assets after tax		43	(43)
<b>Financial liabilities</b>			
Derivative financial instruments	23,940	60	(60)
Impact of taxation (29%)		(17)	17
Impact on financial liabilities after tax		43	(43)
Total volatility of financial instruments		-	-

The degree of interest rate sensitivity is based on the minimum movement in base rate levels as applied by the Bank of England's Monetary Policy Committee.

## Currency risk

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

**21 Notes to the cash flow statement**

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
<b>Profit/(loss) from operations</b>	11,240	(2,028)	11,240	(2,028)
Add: Depreciation on property, plant and equipment	6,752	3,591	-	-
Less: Profit on disposal of property, plant and equipment	(15,049)	-	-	-
Less: Profit on sale of investments in partnerships	-	-	(15,049)	-
<b>Operating cash flows before movements in working capital</b>	2,943	1,563	(3,809)	(2,028)
Movement in receivables	(243)	-	(243)	-
Movement in payables	(93,865)	(3,317)	(93,865)	(3,317)
<b>Cash generated by operations</b>	(91,165)	(1,754)	(97,917)	(5,345)
Group relief receivable	1,618	1,992	1,618	1,992
<b>Net cash flow from operating activities</b>	(89,547)	238	(96,299)	(3,353)

## NOTES TO THE FINANCIAL STATEMENTS

**22 Related parties**

Since 21 December 2007 control of the group is governed by way of a contractual arrangement including the majority shareholder Lloyds TSB Leasing Limited ("LLL") and Cosco Maritime (UK) Limited. LLL and fellow subsidiaries of Lloyds Banking Group plc (formerly Lloyds TSB Group plc), for which LLL is a member, are deemed to continue to have significant influence over the activities of the group as defined by IAS 24 Related Party Transactions. Transactions with subsidiaries of the Lloyds Banking Group plc (formerly Lloyds TSB Group plc) continue to be disclosed as related party disclosures.

Pursuant to the terms of the exchange agreement entered into between LLL, as holding company for the entity and a third party, the business activities for the entity are restricted to those connected with the existing partnership investment and no other business can be conducted without consent of the counterparty.

The group'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 group, which is determined to be the group's directors.

In respect of related party transactions, the outstanding balances receivable/(payable) as at 30 September were as follows:

Nature of transaction	Related party	Group		Company	
		2008 £000	2007 £000	2008 £000	2007 £000
Cash at bank	Fellow subsidiary undertaking	1,400	726	1,400	726
Bank deposits	Fellow subsidiary undertaking	23,940	-	23,940	-
Interest receivable	Fellow subsidiary undertaking	243	-	243	-
Group relief (payable)/receivable	Immediate parent undertaking	(24,415)	818	(24,415)	818
Management fees payable	Immediate parent undertaking	(100)	-	(100)	-
Bank borrowings	Fellow subsidiary undertaking	-	(92,709)	-	(92,709)
Interest payable	Fellow subsidiary undertaking	(6)	(1,221)	(6)	(1,221)
Derivative financial instruments	Fellow subsidiary undertaking	(16)	-	(16)	-

Bank borrowings are interest bearing and during the year rates of interest of up to 6.28% (2007: 6.01%) were charged. Finance costs of £4,490,000 (2007: £5,187,000) were incurred during the year. Bank deposits are interest bearing and during the year rates of up to 6.28% were received.

The company accrued a management fee of £100,000 (2007: £126,000 paid) to a subsidiary of the Lloyds Banking Group.

The company received group relief of £1,618,000 (2007: £1,992,000) during the year from Lloyds Banking Group.

**23 Future developments**

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

Pronouncement	Nature of change	Effective date
Revised IAS 1	Introduces changes to the presentation of the balance sheet, income statement and cash flow statement	Annual periods beginning on or after 1 January 2009.

The full impact of this pronouncement is being assessed by the group, this pronouncement is not expected to cause any material impact to the financial statements.