LLOYDS TSB MARITIME LEASING (NO 1) LIMITED
Consolidated Financial Accounts
30 September 2009

4053677

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

4053677

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

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

In 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 2009 and consolidated prior period comparatives for the year ending 30 September 2008 as required under Section 5 of the Companies Act 2006

The results of the group show a profit before taxation of £126,000 (2008 £11,240,000) for the year as set out in the income statement on page 5 The group has shareholder's equity of £1,128,000 (2008 £1,051,000)

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2008 £nil)

DIRECTORS

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

	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 year

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 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

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 '19 - Risk management of financial instruments' in these financial statements

REPORT OF THE DIRECTORS

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 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 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 group 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 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

S Slattery
Secretary

23 June 2010

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 2009 which comprise the Group and Parent Company Income Statement, the Group and Parent Company Balance Sheet, the Group and Parent Company Statement of Changes in Shareholder's Equity, the Group and Parent Company 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 members as a body in accordance with Sections 495 and 496 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 group's and parent 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 group's and parent company's affairs as at 30 September 2009 and of its group and parent's profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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
23 June 2010

INCOME STATEMENT
For the year ended 30 September 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Income from partnerships	2	-	-	-	541
Finance income	3	126	243	126	243
Operating lease income	4	-	7,715	-	-
Depreciation of property, plant and equipment	9	-	(6,752)	-	-
Finance costs	5	-	(4,490)	-	(4,490)
		126	(3,284)	126	(3,706)
Other operating income	6	-	15,052	-	15,052
Administration expenses		-	(528)	-	(106)
Profit before taxation	7	126	11,240	126	11,240
Taxation (charge)/credit	8	(60)	258	(60)	258
Profit for the year		66	11,498	66	11,498

The accompanying notes are an integral part of the Financial Statements

CONSOLIDATED BALANCE SHEET
As at 30 September 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Assets					
Non-current assets					
Property, plant and equipment	9	-		-	
Deferred taxation	14	-	-	5	5
Current assets					
Cash and cash equivalents	10	1,905		25,340	
Trade and other receivables	11	-	1,905	243	25,583
Total assets			1,905		25,588
Liabilities					
Current liabilities					
Borrowings and other payables	12	777		24,537	
Other creditors		-	777	-	24,537
Total liabilities			777		24,537
Equity					
Share capital	15	-		-	
Other reserves	16	-		(11)	
Retained earnings	17	1,128	1,128	1,062	1,051
Total liabilities and equity			1,905		25,588

The directors approved the accounts on 23 June 2010

T J Cooke
Director

4053677

The accompanying notes are an integral part of the Financial Statements

COMPANY BALANCE SHEET
As at 30 September 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Assets					
Non-current assets					
Investment in limited partnerships	18	-		-	
Deferred taxation	14	-	-	5	5
Current assets					
Cash and cash equivalents	10	1,905		25,340	
Trade and other receivables	11	-	1,905	243	25,583
Total assets			1,905		25,588
Liabilities					
Current liabilities					
Borrowings and other payables	12	777		24,537	
Other creditors		-	777	-	24,537
Total liabilities			777		24,537
Equity					
Share capital	15	-		-	
Other reserves	16	-		(11)	
Retained earnings	17	1,128	1,128	1,062	1,051
Total liabilities and equity			1,905		25,588

The directors approved the accounts on 23 June 2010

T J Cooke
Director

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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
Balance at 30 September 2007	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)
Balance at 30 September 2008	15,16,17	-	(11)	1,062	1,051
Profit for the year	17	-	-	66	66
Change in fair value of derivatives	16	-	11	-	11
Balance at 30 September 2009	15,16,17	-	-	1,128	1,128

COMPANY STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 30 September 2007	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)
Balance at 30 September 2008	15,16,17	-	(11)	1,062	1,051
Profit for the year	17	-	-	66	66
Change in fair value of derivatives	16	-	11	-	11
Balance at 30 September 2009	15,16,17	-	-	1,128	1,128

The accompanying notes are an integral part of the Financial Statements

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
For the year ended 30 September 2009

	Note	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Net cash flow from operating activities	20	(23,435)	(89,551)	(23,435)	(96,299)
Investing activities					
Property, plant and equipment disposal		-	114,165	-	-
Repayment of partnership capital		-	-	-	6,752
Sale of interest in partnerships		-	-	-	114,161
Net cash flow from investing activities		-	114,165	-	120,913
Net movement in cash and cash equivalents		(23,435)	24,614	(23,435)	24,614
Cash and cash equivalents at beginning of the year		25,340	726	25,340	726
Cash and cash equivalents at end of the year		1,905	25,340	1,905	25,340
Cash and cash equivalents are comprised of					
Cash at bank	10	1,905	1,400	1,905	1,400
Bank deposits	10	-	23,940	-	23,940
		1,905	25,340	1,905	25,340

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(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 Deferred taxation 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 taxation 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

(e) Dividends

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

(f) Cash and cash equivalents

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

(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

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 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 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	
	2009	2008	2009	2008
	£000	£000	£000	£000
Interest receivable on bank deposits	126	243	126	243

4 Operating lease income

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Operating lease rental income	-	7,715	-	-

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 (2008 £nil)

5 Finance costs

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Interest payable on bank loans	-	4,490	-	4,490

6 Other operating income

	Group		Company	
	2009	2008	2009	2008
	£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 before taxation

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 (2008 £8,500) The company has no employees and the directors received no remuneration in respect of their services to the company

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation credit

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
The (charge)/credit for the year comprises				
Group relief payable on current taxation profit for the year	(35)	(23,710)	(35)	(23,710)
Adjustment in respect of prior year	(25)	95	(25)	95
Total group relief payable for year	(60)	(23,615)	(60)	(23,615)
Deferred taxation (Note 14)	-	23,962	-	23,962
Adjustment in respect of prior year	-	(89)	-	(89)
Total taxation (charge)/credit for the year	(60)	258	(60)	258

Where taxation on the company's profit for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 28% (2008 29%), the differences are explained below

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Profit before taxation	126	11,240	126	11,240
Taxation charge at the standard rate of corporation tax	(35)	(3,260)	(35)	(3,260)
Permanent differences	-	3,543	-	3,543
Impact of tax rate change	-	(25)	-	(25)
Adjustment in respect to prior year	(25)	-	(25)	-
Total taxation (charge)/credit for the year	(60)	258	(60)	258

9 Property, plant and equipment

	Group	
	2009	2008
Operating lease assets Ships	£000	£000
Original cost		
At beginning of the year	-	125,691
Disposals during the year	-	(125,691)
At end of the year	-	-
Depreciation		
At beginning of the year	-	(19,823)
Disposals during the year	-	26,575
Charge for the year	-	(6,752)
At end of the year	-	-
Net book value at end of the year	-	-

NOTES TO THE FINANCIAL STATEMENTS

10 Cash and cash equivalents

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash at bank	1,905	1,400	1,905	1,400
Bank deposits	-	23,940	-	23,940
	1,905	25,340	1,905	25,340

For further details please refer to note 21

11 Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Interest receivable	-	243	-	243

For further details please refer to note 21

12 Borrowings and other payables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Group relief payable	777	24,415	777	24,415
Management fee payable	-	100	-	100
Interest payable	-	6	-	6
Derivative financial instruments	-	16	-	16
	777	24,537	777	24,537

For further details please refer to note 21

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 fair values of these derivative financial instruments are based on discounted cash flow models as at 30 September 2009

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

Group and company	Contract/notional amount	Fair value assets
	£000	£000
30 September 2009		
Interest rate swaps	-	-
30 September 2008		
Interest rate swaps	23,940	16

NOTES TO THE FINANCIAL STATEMENTS

14 Deferred taxation

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
At beginning of the year	(5)	23,873	(5)	23,873
Deferred taxation charge for the year	-	(23,962)	-	(23,962)
Adjustment in respect of prior year	-	89	-	89
Movement in other reserves	5	(5)	5	(5)
At end of the year	-	(5)	-	(5)

The deferred taxation credit in the income statement comprises the following differences

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Accelerated tax depreciation	-	(23,962)	-	(23,962)
Adjustment in respect of prior year	-	89	-	89
Total deferred taxation credit	-	(23,873)	-	(23,873)

Deferred taxation assets are comprised as follows

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Deferred taxation assets				
Cash flow hedges	-	5	-	5

15 Share capital

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Authorised, allotted and issued				
Ordinary shares of £1 each	100	100	100	100

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

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 21

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	
	2009	2008	2009	2008
	£000	£000	£000	£000
At beginning of the year	(11)	-	(11)	-
Change in fair value of cash flow hedges	16	(16)	16	(16)
Deferred taxation thereon	(5)	5	(5)	5
At end of the year	-	(11)	-	(11)

17 Retained earnings

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
At beginning of the year	1,062	(10,436)	1,062	(10,436)
Profit for the year	66	11,498	66	11,498
At end of the year	1,128	1,062	1,128	1,062

18 Investment in limited partnerships

	Company	
	2009	2008
	£000	£000
At beginning of the year	-	105,864
Repayment of partnership capital	-	(6,752)
Sale of interest in partnership capital	-	(99,112)
At end of the year	-	-

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

In 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)

19 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 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" 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, including fair value gains and losses are recognised

NOTES TO THE FINANCIAL STATEMENTS

19 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 Not taking account of any collateral held and the maximum exposure to loss is considered to the balance sheet carrying amount as at 30 September 2009

	Group		Company	
	2009	2008	2009	2008
Financial assets which are neither past due nor impaired	£000	£000	£000	£000
Cash and cash equivalents	1,905	25,340	1,905	25,340
Trade and other receivables	-	243	-	243
Total credit risk exposure	1,905	25,583	1,905	25,583

Credit risk management is performed by various committees established by its majority shareholder, Lloyds Banking 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 The table below reflects the credit rating of the financial assets portfolio

Financial assets by credit rating Group and company

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
At 30 September 2009	£000	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	-	1,905	-	-	-	-	1,905
Total	-	1,905	-	-	-	-	1,905
At 30 September 2008							
Cash and cash equivalents	25,340	-	-	-	-	-	25,340
Trade and other receivables	243	-	-	-	-	-	243
Total	25,583	-	-	-	-	-	25,583

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 2009 and 2008 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

	Group		Company	
	Other liabilities	Total liabilities	Other liabilities	Total liabilities
At 30 September 2009	£000	£000	£000	£000
On demand	777	777	777	777
Up to 1 Month	-	-	-	-
1 - 3 Months	-	-	-	-
3 - 12 Months	-	-	-	-
1 - 5 Years	-	-	-	-
Over 5 years	-	-	-	-
Total	777	777	777	777

NOTES TO THE FINANCIAL STATEMENTS

19 Risk management of financial instruments (continued)

At 30 September 2008	Group Other liabilities £000	Group Total liabilities £000	Company Other liabilities £000	Company Total liabilities £000
On demand	24,521	24,521	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	24,521	24,521

Other liabilities are repayable on demand

Interest rate risk management

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

Currency risk

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

20 Notes to the cash flow statement

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Profit from operations	126	11,240	126	11,240
Add Depreciation on property, plant and equipment	-	6,752	-	-
Less Profit on disposal of property, plant and equipment	-	(15,049)	-	-
Less Profit on sale of investments in partnerships	-	-	-	(15,049)
Operating cash flows before movements in working capital	126	2,943	126	(3,809)
Movement in receivables	243	(243)	243	(243)
Movement in payables	(106)	(93,869)	(106)	(93,865)
Cash generated by operations	263	(91,169)	263	(97,917)
Group relief (paid)/received	(23,698)	1,618	(23,698)	1,618
Net cash flow from operating activities	(23,435)	(89,551)	(23,435)	(96,299)

NOTES TO THE FINANCIAL STATEMENTS

21 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, 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 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) at 30 September were as follows

		Group		Company	
		2009	2008	2009	2008
Nature of transaction	Related party	£000	£000	£000	£000
Cash at bank	Fellow subsidiary undertaking	1,905	1,400	1,905	1,400
Bank deposits	Fellow subsidiary undertaking	-	23,940	-	23,940
Interest receivable	Fellow subsidiary undertaking	-	243	-	243
Group relief payable	Immediate parent undertaking	(777)	(24,415)	(777)	(24,415)
Management fee payable	Immediate parent undertaking	-	(100)	-	(100)
Interest payable	Fellow subsidiary undertaking	-	(6)	-	(6)
Derivative financial instruments	Fellow subsidiary undertaking	-	(16)	-	(16)

Finance costs were £nil for the year (2008 £4,490,000) Bank deposits are interest bearing and during the year rates of up to 6 10% (2008 6 28%) were received

The company did not incur a management fee this year from its immediate parent company, Lloyds TSB Leasing Limited (2008 £100,000)

The company paid group relief of £23,698,000 (2008 £1,618,000 received) during the year from Lloyds Banking Group

22 Future developments

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

Pronouncement	Nature of change	IASB effective date
Revised IAS1	Introduces changes to the presentation of the balance sheet, income statement and cash flow statement	Annual periods beginning on or after 1 January 2009
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