

LLOYDS TSB LEASING LIMITED

31 December 2011

Member of Lloyds Banking Group

Registered Number 1004792



LLOYDS TSB LEASING LIMITED

DIRECTORS

R A Isaacs
K MacDonald
C G Dowsett
S C Gledhill

COMPANY SECRETARY

S N Slattery

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 7HN

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

REGISTERED COMPANY NUMBER

1004792

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year, the principal activity of the company was the leasing of plant and equipment and the holding of investments in leasing and property investment subsidiaries and this is likely to continue for the foreseeable future

The results of the company show a profit before taxation of £13,844,000 (2010 £18,121,000 as restated) for the year as set out in the income statement on page 5

The company has shareholder's equity of £130,745,000 (2010 £122,733,000 as restated)

In accordance with LBG's reporting policy regarding the interpretation of International Financial Reporting Standards (IFRS's), a prior year adjustment has been made to the 2010 and 2009 comparative figures to correct the finance lease receivables, amounts owed to group companies and retained earnings balances in the balance sheet, as well as the finance income in the income statement. For further details, see note 1(m)

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2010 £nil)

DIRECTORS

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

	Appointed	Resigned/ceased to be a director
A J Cumming	-	26 April 2012
J M Herbert	-	26 April 2012
K MacDonald	26 April 2012	-
S Shelley	26 April 2012	21 August 2012
C G Dowsett	26 April 2012	-
S C Gledhill	26 April 2012	-
T J Cooke	-	14 August 2012

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

DIRECTORS' INDEMNITIES

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

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS' APPOINTMENT

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

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

KEY PERFORMANCE INDICATORS ('KPIs')

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

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

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

On behalf of the board



C G Dowsett
Director

Date 26/09/2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS TSB LEASING LIMITED

We have audited the financial statements of Lloyds TSB Leasing Limited for the year ended 31 December 2011 which comprise the Income Statement and 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. 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 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

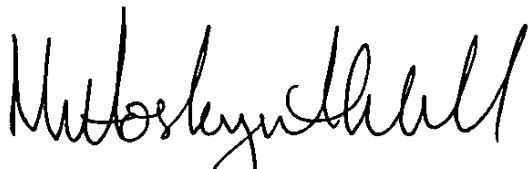
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

Edinburgh

Date

26 September 2012

LLOYDS TSB LEASING LIMITED

INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 £000	Restated 2010 £000
Investment income	9	-	3,600
Finance income	2	20,600	22,881
Finance costs	3	(6,334)	(7,098)
		<u>14,266</u>	<u>19,383</u>
Other operating income	4	1,174	988
Impairment charge	5	(782)	(251)
Administration expenses	7	(818)	(1,992)
Foreign exchange gain/(loss)		<u>4</u>	<u>(7)</u>
Profit before taxation	6	13,844	18,121
Taxation (charge)/credit	8	<u>(6,163)</u>	<u>4,064</u>
Profit after tax and total comprehensive income for the year attributable to owners of the parent		<u>7,681</u>	<u>22,185</u>

The accompanying notes are an integral part of the Financial Statements

LLOYDS TSB LEASING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Note	2011 £000	Restated 2010 £000
Profit after tax and total comprehensive income for the year	21	7,681	22,185
Other Comprehensive Income			
Movement in cash flow hedges, net of tax - changes in fair value taken to equity	20	331	(79)
Total comprehensive income for the year attributable to owners of the parent		8,012	22,106

The accompanying notes are an integral part of the Financial Statements

LLOYDS TSB LEASING LIMITED

BALANCE SHEET
As at 31 December 2011

	Note	2011 £000	Restated 2010 £000
Assets			
Non-current assets			
Property, plant and equipment	10	299	368
Investment in subsidiary undertakings	11	39,163	38,828
Finance lease receivables	13	24,353	32,494
Hire purchase receivables	14	12,750	15,214
Deferred taxation	18	-	1,772
Total non-current assets		<u>76,565</u>	<u>88,676</u>
Current assets			
Finance lease receivables	13	5,527	7,047
Hire purchase receivables	14	2,419	1,930
Amounts owed by group companies	15	512,147	459,762
Other debtors		183	111
Total current assets		<u>520,276</u>	<u>468,850</u>
Total assets		<u>596,841</u>	<u>557,526</u>
Liabilities			
Current liabilities			
Amounts owed to group companies	16	463,006	431,757
Other creditors		3,007	3,036
Total current liabilities		<u>466,013</u>	<u>434,793</u>
Non-current liabilities			
Deferred taxation	18	83	-
Total non-current liabilities		<u>83</u>	<u>-</u>
Equity			
Share capital	18	2,000	2,000
Other reserves	20	(3,110)	(3,441)
Retained earnings	21	131,855	124,174
Total equity		<u>130,745</u>	<u>122,733</u>
Total liabilities and equity		<u>596,841</u>	<u>557,526</u>

The directors approved the accounts on 26 September 2012



C G Dowsett
Director

Registered Number 1004792

The accompanying notes are an integral part of the Financial Statements

LLOYDS TSB LEASING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 31 December 2009 as restated	19 20 21	2,000	(3,362)	101,989	100,627
Total comprehensive income for the year					
Profit for the year <i>as restated</i>	21	-	-	22,185	22,185
Change in fair value of derivatives	20	-	(79)	-	(79)
Balance at 31 December 2010 as restated	19 20 21	2,000	(3,441)	124,174	122,733
Total comprehensive income for the year					
Profit for the year	21	-	-	7,681	7,681
Change in fair value of derivatives	20	-	331	-	331
Balance at 31 December 2011	19 20 21	2,000	(3,110)	131,855	130,745

The accompanying notes are an integral part of the Financial Statements

LLOYDS TSB LEASING LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2011

	Note	2011 £000	2010 £000
Net cash flow from operating activities	23	<u>26,247</u>	<u>30,175</u>
Investing activities			
Funds received in relation to unquoted equity investments		-	45,930
Movement in bank borrowings		<u>57,261</u>	<u>(14,840)</u>
Net cash flow from investing activities		<u>57,261</u>	<u>31,090</u>
Financing activities			
Dividends repaid to subsidiary undertaking		<u>(998)</u>	<u>-</u>
Net cash flow from financing activities		<u>(998)</u>	<u>-</u>
Net movement in cash and cash equivalents		<u>82,510</u>	<u>61,265</u>
Cash and cash equivalents at beginning of the year		<u>138,117</u>	<u>76,852</u>
Cash and cash equivalents at end of the year		<u><u>220,627</u></u>	<u><u>138,117</u></u>
Cash and cash equivalents are comprised of			
Cash at bank	15	1,657	3,127
Bank deposits	15	448,748	396,321
Bank overdraft	16	<u>(229,778)</u>	<u>(261,331)</u>
		<u><u>220,627</u></u>	<u><u>138,117</u></u>

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, as modified by the revaluation of available-for-sale financial assets, and financial instruments (including derivatives) at fair value.

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 Lloyds TSB Bank 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 judgments, 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, judgments 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 judgemental 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(f) below.

1(a) Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the asset less any residual value of the assets over their useful lives as follows -

Fixtures and fittings	10 - 20 years
Other equipment	2 - 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

1(b) Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at historical cost, less any provision for impairment.

Dividend income is recognised when the right to receive payment is established.

1(c) Investments in Associates

Investments in associates represent entities over which the Company has significant influence and that is neither a subsidiary or a joint venture. The group's share of results from associated entities, generally based on audited accounts, are included in the group's consolidated financial statements using the equity method of accounting. The share of any losses is restricted to a level that reflects an obligation to fund such losses.

1(d) Financial assets and liabilities at fair value through the profit or loss

Other financial assets and liabilities at fair value through profit or loss are designated as such by management upon initial recognition. Such assets and liabilities are carried in the balance sheet at their fair value and gains and losses arising from changes in fair value are recognised in the income statement within net trading income in the period in which they occur. Financial assets and liabilities are designated as at fair value through profit or loss on acquisition, when doing so results in more relevant information because either

- it eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on them on a different basis, or
- the assets and liabilities are part of a group which is managed, and its performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy with management information also prepared on this basis, or
- where the assets and liabilities contain one or more embedded derivatives that significantly modify the cash flows arising under the contract and would otherwise need to be separately accounted for.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies (continued)

1(d) Financial assets and liabilities at fair value through the profit or loss (continued)

The fair values of assets and liabilities traded in active markets are based on current bid and offer prices respectively. If the market is not active the company establishes a fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

1(e) 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.

Hire purchase receivables

Assets hired to customers are classified as hire purchase debtors if the hire purchase agreements provide the customer with an option to acquire title to the asset upon the fulfilment of agreed conditions and which is expected to be exercised. When assets are financed under a hire purchase agreement the amount due from the hirer is recorded as a receivable at the present value of the future payments being the company's net investment in the asset. Hire purchase income is recognised over the hire term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the asset over the hire term.

Initial direct costs attributed to negotiating and arranging the hire purchase are included in the initial measurement of the hire purchase debtor thus reducing the amount of income recognised over the hire 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 or Income Statement.

1(f) Impairment

At each balance sheet date the company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest,
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty,
- Restructuring of debt to reduce the burden on the borrower,
- Breach of loan covenants or conditions, and
- Initiation of bankruptcy.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies (continued)

1(g) Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

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

1(h) Dividends

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

1(i) 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. The prior year cash flow statement comparatives have been reclassified to conform to the current year presentation.

1(j) 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(k) 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 other comprehensive income, and in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policies (continued)**1 (k) Derivative financial instruments (continued)**

The company documents at the inception of the transaction the relationship between hedging instrument and the hedged item. The company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cashflows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

1(l) 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.

1(m) Prior year restatement

The comparatives for the year ended 31 December 2009 and 2010 have been restated in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" to reflect the correct balance on finance lease receivables. The impact on the 2010 balance sheet was to increase finance lease receivables by £2,276,000, increase group relief payable by £772,000 and increase retained earnings by £1,504,000. The impact on the 2010 income statement was to decrease finance income for the year by £480,000. The impact on the opening 2010 retained earnings was to increase the balance by £1,984,000.

1(n) Prior year reclassification of comparatives

The prior year comparatives have been reclassified to conform to the current year presentation. Further details are provided below.

- (i) Interest payable on swaps of £74,000 has been reclassified from derivative financial instruments to interest payable within Amounts owed to group companies (Note 16).
- (ii) A credit balance of £4,000 has been reclassified from other creditors to finance lease receivables.
- (iii) Amounts due to group companies of £20,000 has been reclassified to amounts due by group companies.
- (iv) Other debtor balances of £24,000 have been reclassified to other creditors.

These reclassifications have no impact on the income statement.

2 Finance income

	2011 £000	Restated 2010 £000
Finance lease income	2,800	3,494
Interest receivable on deposits from other group companies	16,835	18,230
Hire purchase income	916	1,068
Other finance income	49	89
	<u>20,600</u>	<u>22,881</u>

3 Finance costs

	2011 £000	2010 £000
Interest payable on bank loans and overdraft to other group companies	4,025	4,198
Interest rate swaps Cashflow hedges	2,309	2,900
	<u>6,334</u>	<u>7,098</u>

NOTES TO THE FINANCIAL STATEMENTS

4 Other operating income

	2011 £000	2010 £000
Other fees receivable	1,169	342
Profit on sale of finance lease assets	5	14
Financial assets held at fair value through the profit or loss	-	632
	<u>1,174</u>	<u>988</u>

5 Impairment charge

	2011 £000	2010 £000
Tax rate variation	119	70
Impairment of investments	663	181
	<u>782</u>	<u>251</u>

The reduction in the tax rate from 27% to 26% and a further reduction from 26% to 25% is disclosed further in note 18

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 a one off impairment of the finance lease receivables. In addition the impairment of investments charge reflects goodwill on investments written out during the year.

6 Profit before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £8,500 (2010 £8,500). The company has no employees and the directors received no remuneration in respect of their services to the company.

7 Administration expenses

	2011 £000	2010 £000
Professional fees and other related expenses	749	718
Depreciation of property, plant and equipment (Note 10)	69	74
Auditors remuneration - audit services	-	1,200
	<u>818</u>	<u>1,992</u>

8 Taxation (charge)/credit

	2011 £000	Restated 2010 £000
The taxation (charge)/credit for the year comprises		
Current tax payable on profit for the year	(4,269)	-
Adjustment in respect of prior year	(287)	1,785
	<u>(4,556)</u>	<u>1,785</u>
Total current tax (payable)/receivable for the year	(4,556)	1,785
Deferred taxation (Note 18)	535	2,294
Adjustment in respect of prior year (Note 18)	(2,249)	-
Impact of tax rate change (Note 18)	107	(15)
	<u>(6,163)</u>	<u>4,064</u>
Total taxation (charge)/credit for the year	(6,163)	4,064

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation (charge) / credit (continued)

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 26.5% (2010: 28%), the differences are explained below

	2011 £000	Restated 2010 £000
Profit before taxation	13,844	18,121
Tax at standard rate of corporation tax	(3,669)	(5,074)
Disallowed items	(286)	120
Impact of tax rate change	107	(15)
Adjustment in respect of prior year	(2,536)	1,785
Losses claimed for no payment	-	6,240
Non taxable dividend	-	1,008
Book gains covered by capital losses	221	-
Total taxation (charge)/credit	(6,163)	4,064

During the year group relief of £nil, (£22,286,000) was surrendered by fellow group undertakings to the company for no payment

9 Investment income

	2011 £000	2010 £000
Dividends received during the year from fellow subsidiaries	-	3,600
	-	3,600

Dividends were received during 2010 from Lloyds TSB General Leasing Ltd (£2,100,000) and Lloyds Project Leasing Ltd (£1,500,000)

10 Property, plant and equipment

	2011 £000	2010 £000
Original cost		
At beginning of the year	710	710
Fixed assets written out	(144)	-
At end of the year	566	710
Depreciation		
At beginning of the year	(342)	(268)
Charge for the year	(69)	(74)
Depreciation written out	144	-
At end of the year	(267)	(342)
Net book value at end of the year	299	368

LLOYDS TSB LEASING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Investment in subsidiary undertakings

	2011 £000	2010 £000
At beginning of the year	38,828	4,671
Additions during the year	998	34,338
Impairment of investment	(663)	(181)
At end of the year	39,163	38,828

Investments in subsidiaries are carried at cost less provision for impairment

Following the sale of the underlying assets of certain subsidiaries a review of the underlying cash flows of the individual entities was performed and an impairment of £663,000 (2010 £181,000) was charged to the income statement

The principal subsidiary undertakings of the company for the year ended 31 December 2011 are listed below. All of these subsidiaries are registered in England and Wales. The principal activity of these subsidiaries is the leasing of plant and equipment.

Company name	Ownership & Voting (%)	Accounting reference date
Lloyds Nimrod Machinery Finance Limited	100	30 September 2011
Lloyds TSB Leasing (No 8) Limited	100	31 December 2011
Lloyds TSB Corporate Asset Finance (No 4) Limited	100	31 December 2011
Lloyds TSB Equipment Leasing (No 7) Limited	100	31 December 2011
Lloyds TSB Equipment Leasing (No 1) Limited	100	30 September 2011
Lloyds TSB Corporate Asset Finance (No 1) Limited	100	31 March 2011
Lloyds TSB Equipment Leasing (No 10) Limited	100	31 December 2011
Lloyds General Leasing Limited	100	31 December 2011

12 Investment in associates

	2011 £000	2010 £000
At end of the year	-	-
	-	-

Investments in associates represent the company's 24% interest in Omnium Leasing Company and the company's 25% interest in North Sea Manne Leasing Company. North Sea Manne Leasing Company ceased to trade on 20 December 2011 and so no interest remains at the year end.

Omnium Leasing Company has a profit of £93,000, revenue of £114,000, assets of £113,000 and liabilities of £20,000 for the year ended 31 December 2011. North Sea Manne Leasing Company has a loss of £14,000, revenue of £107,000, assets of £79,000 and liabilities of £79,000 for the period ended 20 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

13 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2011	Restated 2010	2011	Restated 2010
	£000	£000	£000	£000
Amounts receivable under finance leases				
Within 1 year	7,810	14,730	5,527	7,047
2 - 5 years inclusive	24,745	36,281	21,669	30,192
After 5 years	2,964	4,259	2,684	2,302
	<u>35,519</u>	<u>55,270</u>	<u>29,880</u>	<u>39,541</u>
Less Unearned finance income	(5,639)	(11,230)		
Add Specific provision for impairment losses	-	(4,499)		
	<u></u>	<u></u>		
Present value of minimum lease payments receivable	<u>29,880</u>	<u>39,541</u>		
Analysed as				
Non-current finance lease receivable	24,353	32,494		
Current finance lease receivables	5,527	7,047		
	<u>29,880</u>	<u>39,541</u>		

The fair value of the company's finance lease receivables at 31 December 2011 is estimated at £33,914,000 (2010 £43,000,000)

14 Hire purchase receivables

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	£000	£000	£000	£000
Amounts receivable under hire purchase				
Within 1 year	3,247	2,993	2,419	1,930
2 - 5 years inclusive	14,715	11,982	12,750	8,975
After 5 years	-	5,901	-	6,239
	<u>17,962</u>	<u>20,876</u>	<u>15,169</u>	<u>17,144</u>
Less Unearned finance income	(2,793)	(3,732)		
	<u></u>	<u></u>		
Present value of minimum lease payments receivable	<u>15,169</u>	<u>17,144</u>		
Analysed as				
Non-current hire lease receivable	12,750	15,214		
Current hire lease receivables	2,419	1,930		
	<u>15,169</u>	<u>17,144</u>		

The fair value of the company's hire lease receivables at 31 December 2011 is estimated at £15,194,000 (2010 £20,000,000)

NOTES TO THE FINANCIAL STATEMENTS

15 Amounts owed by group companies

	2011 £000	2010 £000
Cash at bank	1,657	3,127
Bank deposits	448,748	396,321
Interest receivable	1,403	1,729
Amounts due from group companies	60,339	58,585
	<u>512,147</u>	<u>459,762</u>

For further details please refer to note 24

16 Amounts owed to group companies

	2011 £000	Restated 2010 £000
Bank overdraft	229,778	261,331
Bank borrowings	63,993	64,663
Interest payable	606	389
Amounts due to group companies	137,622	78,473
Amounts due to parent undertakings	4,384	4,501
Group relief payable	22,119	17,317
Derivative financial instruments (Note 16)	4,504	5,083
	<u>463,006</u>	<u>431,757</u>

For further details please refer to note 24

17 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 derivatives financial instruments are based on discounted cash flow models at 31 December 2011.

The derivatives used by the company are designated as cash flow hedges, which hedge against fluctuations in market interest rates and are detailed below.

The cash flow hedges were highly effective through out the year and no ineffectiveness was recognised in profit or loss during the year.

Interest payments arising on borrowings are settled on a quarterly basis.

	Contractual/Notional amount £000	Fair Values Liabilities £000
31 December 2011		
Interest rate swaps	<u>48,894</u>	<u>4,504</u>
	<u>48,894</u>	<u>4,504</u>
31 December 2010		
Interest rate swaps	<u>54,940</u>	<u>5,083</u>
	<u>54,940</u>	<u>5,083</u>

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred taxation

	2011 £000	2010 £000
At beginning of the year	1,772	(572)
Deferred taxation (charge) / credit for the year (Note 8)	(1,714)	2,294
Impact of tax rate change thereon (Note 8)	107	(15)
Movement in other reserves (Note 20)	(153)	116
Impact of tax rate change on deferred tax on cashflow hedges (Note 20)	(95)	(51)
At end of the year	(83)	1,772

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

	2011 £000	2010 £000
Accelerated tax depreciation	(1,607)	2,279
Total deferred taxation (charge) / credit	(1,607)	2,279

Deferred taxation assets and liabilities are comprised as follows

	2011 £000	2010 £000
Deferred taxation assets		
Cashflow hedge	1,127	1,373
Accelerated tax depreciation	-	399
Total deferred taxation assets	1,127	1,772
Deferred taxation liability		
Accelerated tax depreciation	(1,210)	-
Total deferred taxation liabilities	(1,210)	-
Total deferred taxation (liability)/asset	(83)	1,772

On 23 March 2011, the Government announced that the corporation tax rate applicable from 1 April 2011 would be 26%. This change passed into legislation on 29 March 2011. In addition, the Finance Act 2011, which passed into law on 19 July 2011, included legislation to reduce the main rate of corporation tax from 26% to 25% with effect from 1 April 2012. The change in the main rate of corporation tax from 27% to 25% has resulted in a decrease in the Company's net deferred tax liability at 31 December 2011 of £12,000, comprising a £107,000 credit included in the income statement and an £95,000 charge included in equity.

NOTES TO THE FINANCIAL STATEMENTS

19 Share capital

	2011 £	2010 £
Authorised		
Ordinary limited voting shares of £1 each	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>
	2011 £	2010 £
Allotted, issued and fully paid		
Ordinary limited voting shares of £1 each	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

The company's immediate parent company is Lloyds TSB Bank plc. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Lloyds TSB Bank plc is the parent company of the smallest such group of undertakings. Copies of the group accounts may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the group's regulatory capital requirements.

The company's parent manages the company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in equity and bank borrowings as disclosed in note 16.

20 Other reserves

Other reserves relates to gains and losses recognised on cashflow hedges

	2011 £000	2010 £000
At beginning of the year	(3,441)	(3,362)
Change in fair value of cash flow hedges	579	(144)
Deferred taxation thereon (Note 18)	(153)	116
Impact of tax rate change on deferred tax (Note 18)	(95)	(51)
	<u>(3,110)</u>	<u>(3,441)</u>
At end of the year		

21 Retained earnings

	2011 £000	Restated 2010 £000
At beginning of the year	124,174	101,989
Profit after tax and total comprehensive income for the year	7,681	22,185
	<u>131,855</u>	<u>124,174</u>
At end of the year		

NOTES TO THE FINANCIAL STATEMENTS

22 Risk management of financial instruments

The primary financial risks affecting the company are credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS39 "Financial instruments: Recognition and measurement", the following financial instruments are classified as shown:

	Held at cost/amortised cost £000	Held at Fair Value £000	Loans or receivables £000	Total £000
At 31 December 2011				
Assets				
Finance lease receivables	-	-	29,880	29,880
Hire purchase receivables	-	-	15,169	15,169
Amounts owed by group companies	512,147	-	-	512,147
Other debtors	183	-	-	183
Total financial assets	512,330	-	45,049	557,379
Liabilities				
Amounts owed to group companies	458,502	4,504	-	463,006
Other creditors	3,007	-	-	3,007
Total financial liabilities	461,509	4,504	-	466,013
	Held at cost/amortised cost £000	Held at Fair Value £000	Loans or receivables £000	Total £000
At 31 December 2010 as restated				
Assets				
Finance lease receivables	-	-	39,541	39,541
Hire purchase receivables	-	-	17,144	17,144
Amounts owed by group companies	459,762	-	-	459,762
Other debtors	111	-	-	111
Total financial assets	459,873	-	56,685	516,558
Liabilities				
Amounts owed to group companies	426,674	5,083	-	431,757
Other creditors	3,036	-	-	3,036
Total financial liabilities	429,710	5,083	-	434,793

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 2011.

NOTES TO THE FINANCIAL STATEMENTS

22 Risk management of financial instruments (continued)

Credit risk management (continued)

	2011	Restated 2010
	£000	£000
Financial assets which are neither past due nor impaired for credit risk		
Finance lease receivables	29,880	39,541
Hire purchase receivables	15,169	17,144
Amounts owed by group companies	512,147	459,762
Other debtors	183	111
Total credit risk exposure	557,379	516,558

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each lease or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. 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 net of any financial guarantees received.

Financial assets by credit rating

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2011							
Finance lease receivables	23,001	-	-	-	6,879	-	29,880
Hire purchase receivables	-	-	-	-	15,169	-	15,169
Amounts owed by group companies	-	-	512,147	-	-	-	512,147
Other debtors	-	-	-	-	-	183	183
Total	23,001	-	512,147	-	22,048	183	557,379
At 31 December 2010 as restated							
Finance lease receivables	-	35,126	-	-	4,415	-	39,541
Hire purchase receivables	-	-	-	-	17,144	-	17,144
Amounts owed by group companies	-	459,762	-	-	-	-	459,762
Other debtors	-	-	-	-	-	111	111
Total	-	494,888	-	-	21,559	111	516,558

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 2011 and 2010 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 13.

NOTES TO THE FINANCIAL STATEMENTS

22 Risk management of financial instruments (continued)

Fair Value Estimation

The table below provides an analysis of the financial assets and liabilities of the company's that are carried at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable as defined below

- Quoted prices (unadjusted) in active markets of identical assets and liabilities (level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly, or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

Valuation hierarchy	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2011				
Derivative financial instruments	-	4,504	-	4,504
Financial liabilities	-	4,504	-	4,504

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2010				
Derivative financial instruments	-	5,083	-	5,083
Financial liabilities	-	5,083	-	5,083

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 2011	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Derivatives £000	Total Liabilities £000
On demand	229,778	-	29,510	-	259,288
Up to 1 month	-	-	-	4,504	4,504
1-3 months	-	-	-	-	-
3-12 months	-	202,221	-	-	202,221
1-5 years	-	-	-	-	-
Over 5 years	-	-	-	-	-
Total	229,778	202,221	29,510	4,504	466,013
At 31 December 2010	Bank overdraft £000	Bank borrowings £000	Other liabilities £000	Derivatives £000	Total Liabilities £000
On demand	261,331	-	24,854	-	286,185
Up to 1 month	-	-	-	5,083	5,083
1-3 months	-	-	-	-	-
3-12 months	-	143,525	-	-	143,525
1-5 years	-	-	-	-	-
Over 5 years	-	-	-	-	-
Total	261,331	143,525	24,854	5,083	434,793

The fair value of financial 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

Other liabilities are repayable on demand

NOTES TO THE FINANCIAL STATEMENTS

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

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates

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. Interest rate risk is hedged using interest rate swaps.

Based on the balance sheet carrying values a +/- 25 basis point change in interest rates will increase/reduce finance income by £1,242,000 and finance costs by £736,000.

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 on 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 currency had fluctuated by +/- 25 basis points against the US dollar, with all other variables held constant, post tax profit would have changed by £100 due to assets / liabilities denominated in USD.

	2011 \$000	2010 \$000
Hire purchase receivables	23,443	26,622
Amounts owed by group companies	3	-
	<u>23,446</u>	<u>26,622</u>
Amounts owed to group companies	23,416	26,608
	<u>23,416</u>	<u>26,608</u>

NOTES TO THE FINANCIAL STATEMENTS

23 Notes to the cash flow statement

	2011 £000	2010 £000
Profit from operations	13,844	18,121
Add/(less) non cash items		
Depreciation	69	74
Impairment charge	782	251
Foreign exchange movement	(4)	7
Financial assets at fair value through profit or loss	-	(632)
Operating cash flows before movements in working capital	14,691	17,821
Movement in receivables	11,328	10,788
Movement in payables	(20)	1,575
Cash generated by operations	25,999	30,184
Group relief received/(paid)	248	(9)
Net cash flow from operations	26,247	30,175

24 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	2011 £000	Restated 2010 £000
Cash at bank	Fellow subsidiary undertaking	1,657	3,127
Bank deposits	Fellow subsidiary undertaking	448,748	396,321
Amounts due from group companies	Fellow subsidiary undertaking	60,339	58,585
Bank overdraft	Fellow subsidiary undertaking	(229,778)	(261,331)
Group relief payable	Fellow subsidiary undertaking	(22,119)	(17,317)
Amounts due to group companies	Fellow subsidiary undertaking	(137,622)	(78,473)
Amounts payable to parent company	Immediate parent undertaking	(4,384)	(4,501)
Bank borrowings	Fellow subsidiary undertaking	(63,993)	(64,663)
Interest payable	Fellow subsidiary undertaking	(606)	(389)
Derivative financial instruments payable	Fellow subsidiary undertaking	(4,504)	(5,083)
Interest receivable	Fellow subsidiary undertaking	1,403	1,729

Interest of £6,334,000 (2010 £7,098,000) was paid in the year to group companies whilst interest of £16,835,000 (2010 £18,230,000) was received in the year from group companies.

The company received group relief of £248,000 (2010 £9,000 paid) during the year from fellow subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS

25 Future developments

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

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9 Financial Instruments	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities. Requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instrument. The available-for-sale financial asset and held-to-maturity investment categories in existing IAS 39 will be eliminated. The requirements for financial liabilities and derecognition are broadly unchanged from IAS 39.	Annual periods beginning on or after 1 January 2015
IFRS 12 Disclosure of Interests in Other Entities	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Annual periods beginning on or after 1 January 2013
IFRS 13 Fair Value Measurement	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013

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

26 Post balance sheet events

On 21 March 2012, the Government announced a further reduction in the rate of corporation tax to 24% with effect from 1 April 2012. This further reduction was enacted under the Provisional Collection of Taxes Act 1968 on 26 March 2012. In addition, the Finance Act 2012, which passed into law on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. The reduction to 23% is estimated to reduce the net deferred tax liability by a further £7,000 and will be reflected in the financial statements for the year ended 31 December 2012.

The proposed further reduction in the rate of corporation tax by 1% to 22% from 1 April 2014 is expected to be enacted separately. The effect of this further change upon the company's deferred tax balances cannot be reliably quantified at this stage.

The company holds investments in ChaseCourt Limited and Wyndcroft Limited, since the year end both companies have been placed into liquidation. Once these liquidations are complete the company can expect share capital of £2,225,200 to be repaid.