

SHIBDEN DALE LIMITED

31 December 2013

Member of Lloyds Banking Group

Registered Number 02132953

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13/06/2014  
COMPANIES HOUSE

SHIBDEN DALE LIMITED

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DIRECTORS

S B Allen  
C G Dowsett  
P Greig

COMPANY SECRETARY

Lloyds Secretaries Limited

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
Atria 1  
144 Morrison Street  
Edinburgh  
EH3 8EX

REGISTERED OFFICE

25 Gresham Street  
London  
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

02132953

## REPORT OF THE DIRECTORS

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

### REVIEW OF BUSINESS

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

The results of the company show a profit before taxation of £12,791,000 (2012 £8,438,000 loss) for the year as set out in the statement of comprehensive income on page 6

The company has shareholder's equity of £193,128,000 (2012 £183,311,000)

### DIVIDENDS

The directors did not authorise or pay any dividends during the year (2012 £nil)

### DIRECTORS

The names of the directors of the company are shown on page 1 There were no changes in directors during the year

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

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

### DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the directors of the company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 The deed was in force during the whole of the financial year and at the date of approval of the financial statements (or from the date of appointment in respect of directors who joined the board of the company during the financial year) The indemnities remain in force for the duration of a director's period of office The deed indemnifies the directors to the maximum extent permitted by law The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc In addition, the group has in place appropriate directors' and officers' liability insurance cover which was in place throughout the financial year

### AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved

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

### AUDITORS' APPOINTMENT

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

**REPORT OF THE DIRECTORS (CONTINUED)**

**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 9 'Risk management of financial instruments' in these financial statements.

**KEY PERFORMANCE INDICATORS ('KPIs')**

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

By order of the board



S B Allen  
Director

Date 2/5/14

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIBDEN DALE LIMITED**

### **Report on the Financial Statements**

#### **Our opinion**

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

The opinion is to be read in the context of what we say in the remainder of this report

#### **What we have audited**

The financial statements, which are prepared by Shibden Dale Limited, comprise

- Balance Sheet as at 31 December 2013,
- Statement of Comprehensive Income for the year then ended,
- Cash Flow Statement for the year then ended,
- Statement of Changes in Shareholder's Equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year is consistent with the financial statements

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIBDEN DALE LIMITED (CONTINUED)**

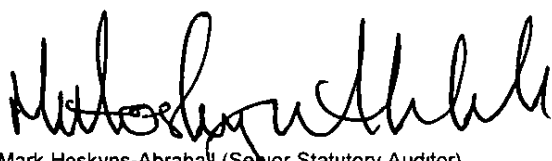
**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

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 ISAs (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



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

Edinburgh

Date

2 June 2014

SHIBDEN DALE LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 December 2013

	Note	2013 £000	2012 £000
Administration expenses	2	(3)	(4)
Foreign exchange gain/(loss)		12,794	(8,434)
<b>Profit/(loss) before taxation</b>	3	12,791	(8,438)
Taxation (charge)/credit	4	(2,974)	2,066
<b>Profit/(loss) after tax and total comprehensive income/(loss) for the year attributable to owners of the parent</b>		<u>9,817</u>	<u>(6,372)</u>

The accompanying notes are an integral part of the Financial Statements

SHIBDEN DALE LIMITED

BALANCE SHEET  
As at 31 December 2013

	Note	2013 £000	2012 £000
<b>Assets</b>			
<b>Current assets</b>			
Amounts owed by group companies	5	196,102	183,311
<b>Total current assets</b>		196,102	183,311
<b>Total assets</b>		196,102	183,311
<b>Liabilities</b>			
<b>Current liabilities</b>			
Amounts owed to group companies	6	2,974	-
<b>Total current liabilities</b>		2,974	-
<b>Equity</b>			
Share capital	7	131,176	131,176
Retained earnings	8	61,952	52,135
<b>Total equity</b>		193,128	183,311
<b>Total liabilities and equity</b>		196,102	183,311

The financial statements on pages 6 to 16 were approved by the Board of Directors on 2 JUNE 2014 and signed on its behalf by



S B Allen  
Director

Registered Number 02132953

The accompanying notes are an integral part of the Financial Statements



SHIBDEN DALE LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Retained earnings £000	Total £000
Balance at 31 December 2011	7, 8	131,176	58,507	189,683
Total comprehensive loss for the year				
Loss for the year	8	-	(6,372)	(6,372)
Balance at 31 December 2012	7, 8	131,176	52,135	183,311
Total comprehensive income for the year				
Profit for the year	8	-	9,817	9,817
Balance at 31 December 2013	7, 8	131,176	61,952	193,128

The accompanying notes are an integral part of the Financial Statements

SHIBDEN DALE LIMITED

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CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	2013 £000	2012 £000
<b>Net cash flow from operating activities</b>	10	198	(4)
Exchange movement on cash and cash equivalents		<u>1</u>	<u>(20)</u>
Net movement in cash and cash equivalents		199	(24)
Cash and cash equivalents at beginning of the year		<u>518</u>	<u>542</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>717</u></u>	<u><u>518</u></u>
Cash and cash equivalents are comprised of			
Cash at bank	5	<u>717</u>	<u>518</u>
		<u><u>717</u></u>	<u><u>518</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.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Bank of Scotland plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

#### Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

##### - Impairment

The company regularly reviews the portfolio of financial assets for impairment. In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings, such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets. Where this is the case, the impairment loss is measured in accordance with note 1(a) below.

#### 1(a) 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 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 statement of comprehensive income.

#### 1(b) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

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(c) Dividends**

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

**1(d) Cash and cash equivalents**

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

**1(e) 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 statement of comprehensive income except when deferred in equity as qualifying cash flow hedges

**2 Administration expenses**

	2013 £000	2012 £000
Professional fees and other related expenses	3	4
	<u>3</u>	<u>4</u>

**3 Profit/(loss) before taxation**

Audit fees for the company are borne by the ultimate parent company, the audit fee attributed to this company for the year was £6,700 (2012 £6,700). The company has no employees and the directors received no remuneration in respect of their services to the company

**4 Taxation (charge)/credit**

	2013 £000	2012 £000
The taxation (charge)/credit for the year comprises		
Current tax (payable)/receivable on profit/(loss) for the year	(2,974)	2,066
	<u>(2,974)</u>	<u>2,066</u>
Total taxation (charge)/credit for the year		
	<u>(2,974)</u>	<u>2,066</u>

## NOTES TO THE FINANCIAL STATEMENTS

## 4 Taxation (charge)/credit (continued)

Where taxation on the company's profit/(loss) for the year differs from the taxation (charge)/credit that would arise using the standard rate of corporation tax of 23.25% (2012: 24.5%), the differences are explained below

	2013 £000	2012 £000
Profit/(loss) before taxation	12,791	(8,438)
Tax at standard rate of corporation tax	(2,974)	2,067
Non-tax deductible expenses	-	(1)
Total taxation (charge)/credit	(2,974)	2,066

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

## 5 Amounts owed by group companies

	2013 £000	2012 £000
Cash at bank	717	518
Amounts due from parent company	195,385	182,595
Group relief receivable	-	198
	196,102	183,311

For further details please refer to note 11

## 6 Amounts owed to group companies

	2013 £000	2012 £000
Group relief payable	2,974	-
	2,974	-

For further details please refer to note 11

## 7 Share capital

	2013	2012
Authorised		
Ordinary shares of \$1 each	\$300,000,000	\$300,000,000
Ordinary shares of £1 each	£100	£100
	2013 £	2012 £
Allotted, issued and fully paid		
Ordinary shares of \$1 each	131,176,278	131,176,278
Ordinary shares of £1 each	2	2
	131,176,280	131,176,280

## NOTES TO THE FINANCIAL STATEMENTS

## 7 Share capital (continued)

The company's immediate parent company is Bank of Scotland Structured Asset Finance Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member. Bank of Scotland plc is the parent company of the smallest such group of undertakings. Copies of the group accounts may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com)

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

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

The company's capital comprises all components of equity, movements in which appear in the statement of changes in shareholder's equity

## 8 Retained earnings

	2013 £000	2012 £000
At beginning of the year	52,135	58,507
Profit/(loss) after tax and total comprehensive income/(loss) for the year	9,817	(6,372)
At end of the year	61,952	52,135

## 9 Risk management of financial instruments

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

In accordance with IAS 39 "Financial instruments: Recognition and measurement", all financial assets are designated as held at amortised cost. The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses are recognised

## Credit risk management

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

	2013 £000	2012 £000
Financial assets which are neither past due nor impaired for credit risk		
Amounts owed by group companies	196,102	183,311
Total credit risk exposure	196,102	183,311

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each exposure is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. The company has no credit risk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc being an A (2012 A) credit rated financial institution

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty

At 31 December 2013 and 2012 there were no impairments relating to credit risk against any financial assets

For financial assets held at amortised cost the fair value approximates to their carrying values

## NOTES TO THE FINANCIAL STATEMENTS

**9 Risk management of financial instruments (continued)****Liquidity risk management**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial asset

The liquidity profile of financial liabilities at year end was as follows

At 31 December 2013	Other liabilities £000	Total Liabilities £000
On demand	2,974	2,974
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
	<hr/>	<hr/>
Total	2,974	2,974
	<hr/>	<hr/>

The company had no exposure to liquidity risk at 31 December 2012

**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 has no exposure to variable rate financial assets and liabilities

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, post tax profit would have changed by an immaterial amount primarily due to assets denominated in USD

Foreign currency risk - carrying amount	2013 \$000	2012 \$000
Financial assets		
Amounts owed by group companies	1	295,884
	<hr/>	<hr/>
	1	295,884
	<hr/>	<hr/>

**10 Notes to the cash flow statement**

	2013 £000	2012 £000
<b>Profit/(loss) from operations</b>	12,791	(8,438)
<b>Add/(less) non cash items</b>		
Foreign exchange (gain)/loss	(12,794)	8,434
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(3)	(4)
Movement in receivables	3	-
	<hr/>	<hr/>
Cash generated by operations	-	(4)
Group relief received	198	-
	<hr/>	<hr/>
Net cash flow from operations	198	(4)
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

## 11 Related parties

The company's related parties include other companies in the Lloyds Banking Group and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors.

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December were as follows:

Nature of transaction	Related party	2013 £000	2012 £000
Cash at bank	Fellow subsidiary undertaking	717	518
Amounts due from parent company	Immediate parent undertaking	195,385	182,595
Group relief payable	Fellow subsidiary undertaking	(2,974)	-
Group relief receivable	Fellow subsidiary undertaking	-	198

The company received group relief of £198,000 (2012: £nil) during the year from fellow subsidiary undertakings.

## 12 Future developments

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

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
Amendment to IAS 32 'Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities'	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.	Annual periods beginning on or after 1 January 2014
IFRS 7, 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities	Enhances current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.	Annual periods beginning on or after 1 January 2013
IFRS 9, 'Financial Instruments' <sup>1 2</sup>	Replaces those parts of IAS 39 'Financial Instruments: Recognition and Measurement' relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting. IFRS 9 requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments and eliminated the available-for-sale financial asset and held-to-maturity investment categories in IAS 39. The requirements for derecognition are broadly unchanged from IAS 39. The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.	Date yet to be determined
IFRS 12, 'Disclosure of Interests in Other Entities'	Requires an entity to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.	Annual periods beginning on or after 1 January 2013
IFRS 13, 'Fair Value Measurement'	The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements.	Annual periods beginning on or after 1 January 2013

<sup>1</sup> At the date of this report, these pronouncements are awaiting EU endorsement.

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



NOTES TO THE FINANCIAL STATEMENTS

**13 Post balance sheet events**

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