Rental Management Services Limited

Report and Accounts
31 December 2010

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

2421333

Directors

S A Archer
M Rankin
G J Woodcock

Company Secretary

P Gittins

Directors' report

For the year ended 31 December 2010

Business review and principal activities

Rental Management Services Limited ("the Company") is a limited company incorporated and domiciled in England and Wales (registered number 2421333)

The Company is owned by IFS Contract Hire Limited and Inchcape Fleet Solutions Limited The Company previously purchased new vehicles from Inchcape Fleet Solutions Limited and sold them to companies within the MEVC Group, which includes IFS Contract Hire Limited The MEVC Group companies then leased the vehicles to customers under operating lease agreements The Company is contractually committed to purchase returned lease vehicles from the MEVC Group companies and sells these to third party customers

The Company's results for the year show a profit before tax of £244,000 (2009 £1,139,000)

The Company is funded by other companies within Lloyds Banking Group and the Inchcape Group

Future outlook

The MEVC Group ceased ordering new vehicles from the Company early in 2007 The Company was contractually committed to purchase returned lease vehicles and sell these to third party customers As at 31 December 2010, the Company has no further commitments in respect of lease vehicles it is obliged to repurchase from the MEVC Group

The Company sold all vehicles it held at 31 December 2009, and all vehicles repurchased from the MEVC Group during 2010, before 31 December 2010, and as such ceased to trade during the year

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Division and are not managed separately for the Company Further details of the Company's and Division's risk management policy are contained in note 2 to the financial statements

Key performance indicators ('KPIs')

Given that the company is no longer writing new business, the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business

Policy and practice on payment of suppliers

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 no amounts are owed to trade creditors as at 31 December 2010, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is nil (2009 nil)

Dividends

No dividends were paid or proposed during the year ended 31 December 2010 (2009 £nil)

Going concern

As the Company is non-trading it is not expected to incur any further future liabilities The accounts have therefore been prepared on a break up basis

Directors' report (continued)
For the year ended 31 December 2010

Directors

The names of the current directors are shown on the cover

The following changes have taken place during the year and since year end

S A Archer	(appointed 20 December 2010)
T Bartlett	(resigned 13 December 2010)
R J Lewis	(resigned 31 January 2011)
M Rankin	(appointed 31 January 2011)

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 prepared 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

Auditors and disclosure of information to auditors

Each director in office at the date of this report confirms that

- 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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006

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

On behalf of the board

M. Rankin

M Rankin
Director

29 June 2011

Independent auditors' report to the members of Rental Management Services Limited

We have audited the financial statements of Rental Management Services Limited for the year ended 31 December 2010 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and 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

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 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Mark Ellis

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

One Kingsway
Cardiff
CF10 3PW

30th June 2011

Statement of comprehensive income

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	5	**3,299**	12,675
Direct costs	5	**(3,054)**	(11,537)
Gross profit		**245**	1,138
Interest and similar income		**-**	1
Interest and similar expenses		**(1)**	-
Net interest (expense)/income	4	**(1)**	1
Profit before tax		**244**	1,139
Taxation	8	**(72)**	(265)
Profit for the year attributable to equity shareholders, being total comprehensive income		**172**	874

The notes on pages 8 to 14 are an integral part of these financial statements

Balance sheet
As at 31 December 2010

	Note	**2010** **£'000**	2009 £'000
ASSETS			
Other current assets	9	-	923
Inventories	10	-	299
Total assets		-	1,222
LIABILITIES			
Borrowed funds	11	**566**	308
Other current liabilities	12	**8**	1,390
Provisions for liabilities and charges	13	-	66
Current tax liability		**68**	272
Total liabilities		**642**	2,036
EQUITY			
Share capital	14	-	-
Retained losses		**(642)**	(814)
Total equity		**(642)**	(814)
Total equity and liabilities		-	1,222

The notes on pages 8 to 14 are an integral part of these financial statements

The financial statements on pages 4 to 14 were approved by the board of directors and were signed on its behalf by

M Rankin

M Rankin
Director

29 June 2011

Statement of changes in equity

For the year ended 31 December 2010

	Share capital £'000	Retained profits £'000	Total £'000
At 1 January 2009	-	(1,688)	(1,688)
Profit for the year and total comprehensive income	-	874	874
At 31 December 2009	-	**(814)**	**(814)**
Profit for the year and total comprehensive income	-	172	172
At 31 December 2010	-	**(642)**	**(642)**

The notes on pages 8 to 14 are an integral part of these financial statements

Cash flow statement
For the year ended 31 December 2010

	2010 £'000	2009 £'000
Cash flows (used in)/generated from operating activities		
Profit before tax	**244**	1,139
Adjustments for		
- interest paid/(received)	**1**	(1)
Changes in operating assets and liabilities		
- net decrease in other current assets	**923**	3,219
- net decrease in other inventories	**299**	2,442
- net decrease in other current liabilities	**(1,382)**	(3,062)
- net decrease in provision for liabilities and charges	**(66)**	(1,176)
Cash generated from operations	**19**	2,561
Interest paid	**(1)**	1
Taxes paid via consortium relief	**(276)**	341
Net cash (used in)/generated from operating activities	**(258)**	2,903
Cash flows from/(used in) financing activities		
Proceeds from/(repayment of) balances with group undertakings	**258**	(2,903)
Net cash from/(used in) financing activities	**258**	(2,903)
Net movement in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

The notes on pages 8 to 14 are an integral part of these financial statements

Notes to the financial statements
For the year ended 31 December 2010

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to both years presented, unless otherwise stated

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs

The following new IFRS pronouncement is relevant to the Company and has been adopted in these financial statements

(i) Improvements to IFRSs (issued April 2009) Sets out minor amendments to IFRSs as part of the annual improvements process Most amendments clarified existing practice The application of these new interpretations has not had any impact for amounts recognised in these financial statements

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2010 and which have not been applied in preparing these financial statements are given in note 19

The financial statements have been prepared on a break up basis as the directors expect to liquidate the Company in 2011 There would be no difference between a break up basis and a going concern basis under the historical cost convention

1.2 Income recognition

Revenue

Revenue, which excludes value added tax, represents the invoiced value of maintenance fees and the invoiced value of vehicles sold during the year

Direct costs represents the cost of vehicles purchased for the purpose of resale and the movement in the provision for reduction in used car values, covering both vehicles held as inventory and those which the Company is obliged to repurchase

1.3 Inventories

Inventories are stated at the lower of cost and net realisable value Cost excludes borrowing costs Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

1.4 Provision for reduction in used car values

Under the terms of the agreement with companies within the MEVC Group and Inchcape Fleet Solutions Limited, the Company is committed to purchase vehicles at the residual value forecast at the inception of leasing agreements entered into by those companies The provision for the reduction in used car values represents the expected shortfall between the price at which the Company is committed to repurchase vehicles and the proceeds estimated by the directors based upon current market conditions A provision is also made for the expected shortfall in proceeds for those vehicles which have been repurchased from the MEVC Group, but not resold at the balance sheet date Anticipated realisable values are regularly reassessed and the provision is updated accordingly

1.5 Cash and cash equivalents

For the purposes of the Cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity

1.6 Taxation, including deferred income taxes

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses 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 Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

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

Notes to the financial statements (continued)

For the year ended 31 December 2010

2 Risk management policy

The Company's operations expose it to market risk and liquidity risk, it is not exposed to any significant interest rate or credit risk as its receivables and borrowings are substantially with its shareholder groups and its interest bearing assets and borrowings are generally at a floating interest rate The Company's operations are not exposed to any foreign exchange risk Responsibility for the control of overall risk lies with the Company's board of directors

2 1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due To manage this risk borrowing facilities are available from the Lloyds Banking Group and Inchcape Group

2 2 Market risk

As the Company was committed to purchase motor vehicles at predetermined values, the performance of the Company is subject to fluctuations in the used car market

To mitigate the impact of this exposure, the predetermined purchase prices are agreed by utilising the expertise within other companies in the Inchcape Group Anticipated resale values are reassessed regularly and the impact of any expected losses are provided for accordingly

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

Impairment of inventory

The Company regularly reviews its inventory of vehicles to assess for impairment In determining whether an impairment has occurred, the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future proceeds from sale of the vehicles compared to the purchase cost, such observable data includes whether there has been an adverse change in the current market prices or economic conditions

The variables used in the evaluation are kept under regular review to ensure that as far as possible they reflect the current economic circumstances, although actual experience may differ from that assumed

Provision for reduction in used car values

The Company regularly reviews the expected value of all vehicles which it is committed to repurchase at a predetermined price In determining whether an impairment has occurred, the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future proceeds versus the price at which the Company is committed to purchase, such observable data includes whether there has been an adverse change in the current market prices or economic conditions that correlate with shortfalls in market value

The Company reviews the value of the assets that it is committed to purchase on a monthly basis by reference to independent market value data and the prevailing economic conditions The assessment of values is important to the profitability of the Company, with movements over extended periods of time being subject to general fluctuations in used car valuations The adjustment arising from the reviews are dealt with as set out in note 1 4 above

4 Interest (expense)/income

	2010	2009
	£'000	£'000
Group interest income (see note 15)	**-**	1
Group interest expense (see note 15)	**(1)**	-
	(1)	1

Notes to the financial statements (continued)

For the year ended 31 December 2010

5 Profit before tax

The following items have been included in arriving at profit before tax

	2010	2009
	£'000	£'000
Revenue		
Sale of second hand vehicles to third parties	**2,454**	9,582
Maintenance fees receivable from the MEVC Group (see note 15)	**845**	3,093
	3,299	12,675
Direct costs		
Cost of second hand vehicles sold to third parties	**2,296**	9,043
Maintenance fees payable to Inchcape Fleet Solutions Limited (see note 15)	**844**	3,093
Provisions credited in the year (see notes 10 and 13)	**(86)**	(599)
	3,054	11,537

Fees payable to the Company's auditors for the audit of the financial statement of £2,000 (2009 £2,000) have been borne by a related party undertaking

Provisions credited in the year relate to the utilisation of the residual value provision £66,000 and the release in provision against the fall in inventories' realisable value £20,000 as remaining vehicles were sold during the year

6. Staff costs

The Company did not directly employ any persons during the year (2009 none) Accounting and administrative services are provided by a related party undertaking and are not recharged to the Company

7 Directors' emoluments

No director received any fees or emoluments during the year (2009 £nil) The directors are employed by other companies within the Lloyds Banking Group or Inchcape Group and consider that their services to the Company are incidental to their other responsibilities within these organisations (see also note 15)

8. Taxation

	2010	2009
	£'000	£'000
a) Analysis of charge for the year		
UK corporation tax		
- Current tax on taxable profit for the year	**68**	272
- Adjustments in respect of prior years	**4**	(7)
	72	265

Corporation tax is calculated at a rate of 28 0% (2009 28 0%) of the estimated taxable profit for the year

Notes to the financial statements (continued)
For the year ended 31 December 2010

8. Taxation (continued)

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge for the year is given below

	2010 **£'000**	2009 £'000
Profit before tax	**244**	1,139
Tax charge thereon at UK corporation tax rate of 28 0% (2009 28 0%)	**68**	319
Factors affecting charge		
- Adjustments in respect of prior years	**4**	(8)
- Timing differences not recognised	-	(46)
Tax on profit on ordinary activities	**72**	265
Effective rate	29 7%	23 3%

9. Other current assets

	2010 **£'000**	2009 £'000
Amounts due from group undertakings (see note 15)	-	923

Amounts due from related parties as at 2009 were unsecured and repayable on demand Balances with Black Horse Finance Holdings Limited were interest bearing at variable rates based on LIBOR All other amounts were non-interest bearing No amounts were past due or impaired

10 Inventories

	2010 **£'000**	2009 £'000
Cost	-	319
Provision for fall in realisable value	-	(20)
	-	299

11. Borrowed funds

	2010 **£'000**	2009 £'000
Amounts due to group undertakings (see note 15)	**566**	308

The 2009 balance relates to amounts due to Inchcape Fleet Solutions Limited which represented borrowings to fund the repurchase of vehicles from the MEVC Group and were unsecured, non-interest bearing and repayable on demand

The 2010 balance relates to amounts due to Black Horse Finance Holdings Limited which are unsecured, non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made

Notes to the financial statements (continued)

For the year ended 31 December 2010

12 Other current liabilities

	2010 £'000	2009 £'000
Amounts due to Inchcape Fleet Solutions Limited (see note 15)	-	1,382
Other creditors	8	8
	8	1,390

Amounts due to Inchcape Fleet Solutions Limited as at 2009 represent maintenance fees and were unsecured, non-interest bearing and repayable on demand

13 Provison for liabilities and charges

	2010 £'000	2009 £'000
At 1 January	66	1,242
Utilised in the year	(66)	(557)
Credit for the year	-	(619)
At 31 December	-	66

The 2009 provision related to reductions in used car values (see note 1 4)

14 Share capital

	2010 £'000	2009 £'000
Allotted, issued and fully paid		
50 "A" ordinary shares of £1 each	-	-
50 "B" ordinary shares of £1 each	-	-
	-	-

At 31 December 2010, the authorised share capital of the Company was £1,000 divided into 500 "A" ordinary shares of £1 each and 500 "B" ordinary shares of £1 each

The "A" ordinary shares of £1 each rank parri passu with the "B" ordinary shares of £1 each in terms of voting, dividends and rights upon winding up

The "A" ordinary shares are owned by IFS Contract Hire Limited, a subsidiary of M E V C Finance Limited, whose ultimate parent company is Lloyds Banking Group plc The "B" ordinary shares are owned by Inchcape Fleet Solutions Limited, a wholly owned subsidiary of Inchcape plc

The company regarded by the directors as the ultimate parent company is Inchcape plc, which is also the parent undertaking of the smallest and largest group of undertakings for which group accounts are drawn up and of which the Company is a member Copies of the accounts of this company may be obtained from the Company Secretary's Office, 22a St James's Square London, SW1Y 5LP

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Notes to the financial statements (continued)
For the year ended 31 December 2010

15. Related party transactions

The Company is jointly controlled by IFS Contract Hire Limited and Inchcape Fleet Solutions Limited

The Company was established under the terms of a trading arrangement between Inchcape plc and Lloyds TSB Asset Finance Division Limited Under the terms of this arrangement, Inchcape plc supplied vehicles to the Company, which supplied the MEVC Group with its vehicles for leasing to customers

The Company is obliged to buy back the vehicles at the end of each contract at amounts agreed at the lease inception Details of the cost of vehicles acquired by the Company from the MEVC Group during the year as well as interest income and outstanding balances at the year end are set out below

	2010	2009
	£'000	£'000
Sale of second hand vehicles to third parties (see note 5)	**2,454**	9,582

On termination of lease contracts, fees paid by customers for vehicle maintenance are passed to the Company (through banking arrangements with Black Horse Finance Holdings Limited) Throughout the lease term these fees are recorded within other creditors The amounts due at 31 December 2010 were £nil (2009 £nil)

A number of other transactions are entered into with related parties in the normal course of business A summary of the outstanding balances at the year end and the related expense for the year are set out below

	2010	2009
	£'000	£'000
Amounts due from group undertakings		
MEVC Group	**-**	858
Black Horse Finance Holdings Limited	**-**	65
Total amounts due from group undertakings (see note 9)	**-**	923
Amounts due to group undertakings		
Inchcape Fleet Solutions Limited (see notes 11 and 12)	**-**	1,690
Black Horse Finance Holdings Limited (see note 11)	**566**	-
Total amounts due to group undertakings	**566**	1,690
Interest (expense)/income		
Black Horse Finance Holdings Limited (see note 4)	**(1)**	1

Amounts due from the MEVC Group represent maintenance costs payable at the end of the contract to the Company The same amount is then payable immediately to Inchcape Fleet Solutions Limited and is included in the amounts due to group undertakings above Maintenance fees have no net impact on the Statement of comprehensive income in this Company

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company Accordingly, key management comprise the directors of the Company and the members of the Lloyds Banking Group plc and Inchcape plc boards There were no transactions between the Company and key management personnel during the current or preceding year Key management personnel are employed by other companies within the Lloyds Banking Group or Inchcape Group and consider that their services to the Company are incidental to their other activities within those groups

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Notes to the financial statements (continued)

For the year ended 31 December 2010

16 Capital disclosures

The Company's parent manages the Company's capital structure and advises the board of directors to consider making 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 board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity The Company receives its funding requirements from its fellow group undertakings and does not raise funding

17 Contingent liabilities and commitments

At the balance sheet date the Company had no commitments in respect of vehicles that it is obliged to repurchase from the MEVC Group (2009 £1,888,000)

There were no other contingencies or contracted capital commitments at the balance sheet date (2009 £nil)

18 Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements

19 Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2010 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs (issued May 2010)	Sets out minor amendments to IFRSs as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 July 2010
Amendments to IAS 24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for related party transactions with government related entities	Annual periods beginning on or after 1 January 2011
IFRS 9 Financial Instruments Classification and Measurement [1&2]	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities 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 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 2013

1 IFRS 9 is the initial stage of the project to replace IAS 39 Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting Until all stages of the replacement project are complete it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39 The effective date of the standard is annual periods beginning on or after 1 January 2013

2 At the date of this report this amendment is awaiting EU endorsement

The full impact of these pronouncements is being assessed by the Company However, the initial view is that none of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements