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Eastcheap Funding Limited

Report and Accounts

1 April 2009 to 31 March 2010

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Eastcheap Funding Limited

Report and accounts for the year ended 31 March 2010

Registered in England No 4305023

Registered office 25 Gresham Street, London EC2V 7HN

Directors

R G M Conway

J S Foster

R M Franklin

A Goldsmith

P Pitale

Eastcheap Funding Limited (“the Company”)

Directors’ report

Business review and principal activity

The Company’s principal activity is to carry on the business of a finance and investment holding company. On 31 July 2008, the ‘E’ shares investment in associate was redeemed (see note 7). The proceeds received on redemption were used to repay the loan from Lloyds Bank Financial Services (Holdings) Limited. There have been no other changes in the nature of the Company’s operations during the current period and no change to the Company’s business is expected in the foreseeable future. The Company was registered in England and Wales.

The profit after taxation for the period of £1,628,000 (31 March 2009: £8,816,000) is set out in the statement of comprehensive income on page 5. The reduction of interest income of £9,156,000 is due to lower prevailing interest rates and part repayment of loans by Lloyds TSB Bank plc. During the period ordinary dividends of £17,000,000 were paid (31 March 2009: £nil).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Lloyds Banking Group and are not managed separately. Full disclosure of the Company’s financial risk management objectives and policies are given in note 13 to the financial statements.

Key performance indicators

Given the straightforward nature of the business, the Company’s directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Directors

The names of the directors of the Company, all of whom served throughout the period except where indicated below, are shown on page 1.

P Pitale (appointed 29 September 2009)

Statement of directors’ responsibilities

The directors are responsible for preparing 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 Company 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,
- prepare the financial statements on a 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.

Each of the directors, whose names and functions are listed in page 1, confirm that, to the best of their knowledge

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and
- the directors’ report contained above includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

Eastcheap Funding Limited

Directors' report (continued)

Auditors and audit information

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 each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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 was re-appointed as auditors

On behalf of the board



J S Foster

Director

16th September 2010

Eastcheap Funding Limited

Independent auditors' report to the member of Eastcheap Funding Limited

We have audited the financial statements of Eastcheap Funding Limited for the period ended 31 March 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with 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 March 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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 Randell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 October 2010

Eastcheap Funding Limited

Statement of comprehensive income for the year ended 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000
	Note		
Interest and similar income		2,266	11,475
Interest and similar expense		-	(53)
Net interest income	3	2,266	11,422
Other operating income	4	-	596
Operating expenses	5	(5)	(5)
Profit before tax		2,261	12,013
Taxation charge	6	(633)	(3,197)
Profit / Total comprehensive income for the period		1,628	8,816

All activities are continuing. The Company has no recognised gains and losses other than those included in the results above.

The accompanying notes are an integral part of the financial statements.

Eastcheap Funding Limited

Balance sheet

At 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
ASSETS			
Current assets			
Amounts owed by intermediate parent company	12	214,891	230,163
Other current assets	8	297	1,080
Cash and cash equivalents	12	75	500
		<u>215,263</u>	<u>231,743</u>
Total assets		<u>215,263</u>	<u>231,743</u>
LIABILITIES			
Current liabilities			
Current tax liabilities	9	633	1,738
Other current liabilities	10	5	8
		<u>638</u>	<u>1,746</u>
Total liabilities		<u>638</u>	<u>1,746</u>
EQUITY			
Share capital	11	129,738	129,738
Retained profits		84,887	100,259
Total shareholder's equity		<u>214,625</u>	<u>229,997</u>
Total equity and liabilities		<u>215,263</u>	<u>231,743</u>

The directors approved the accounts on 16th September 2010


J S Foster
Director

The accompanying notes are an integral part of the financial statements

Eastcheap Funding Limited

Statement of changes in equity for the year ended 31 March 2010

	Share capital £'000	Retained profits £'000	Total £'000
Balance at 31 March 2008	129,738	91,443	221,181
Profit / Total comprehensive income for the period	-	8,816	8,816
Balance at 31 March 2009	129,738	100,259	229,997
Profit / Total comprehensive income for the period	-	1,628	1,628
Dividends paid	-	(17,000)	(17,000)
Balance at 31 March 2010	129,738	84,887	214,625

The accompanying notes are an integral part of the financial statements

Eastcheap Funding Limited

Cash flow statement

for the year ended 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000
	Note		
Cash from operating activities			
Profit before taxation		2,261	12,013
Adjustments for			
Income from share in associate	4/7	-	(237)
Gain on disposal of investment in associate	4	-	(358)
Net foreign exchange (gain) / loss	4/5	-	(1)
Interest income	3	(2,266)	(11,475)
Interest expense	3	-	53
Operating profit before working capital changes		(5)	(5)
Decrease in other current assets	8	-	-
Increase in other current liabilities	10	(3)	2
Cash generated from operations		(8)	(3)
Interest paid		-	(66)
Group relief payments		(1,738)	(3,567)
Net cash used in operating activities		(1,746)	(3,636)
Cash flows from investing activities:			
Interest received		3,049	13,082
Dividends received	7	-	346
Proceeds from sale of investment in associate	7	-	5,452
Loan advanced to intermediate parent company	12	(1,728)	(17,000)
Loan repaid by intermediate parent company	12	17,000	-
Net cash provided from investing activities		18,321	1,880
Cash flows from financing activities:			
Loan repaid to other group company	12	-	(5,452)
Dividends paid		(17,000)	-
Net cash used in financing activities:		(17,000)	(5,452)
Change in cash and cash equivalents		(425)	(7,208)
Cash and cash equivalents at beginning of period		500	7,708
Cash and cash equivalents at end of period	12	75	500

The accompanying notes are an integral part of the financial statements

The classification of the comparative balances above has been amended to more accurately reflect the nature of the cashflows

Eastcheap Funding Limited

Notes to the financial statements

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The financial statements have been prepared under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with the applicable International Financial Reporting Standards (IFRS). These policies have been applied consistently for each of the periods presented, unless otherwise stated.

The following IFRS pronouncements relevant to the Company have been adopted in these financial statements:

IAS1 Presentation of Financial Instruments

The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity'), in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where there are no items of other comprehensive income the Company has elected to present one statement of comprehensive income. The financial statements have been prepared under the revised disclosure requirements, the application of this revised standard, which affects presentation only, has not had any impact on amounts recognised in these financial statements.

(a) Revenue recognition

Interest income and expense are recognised in the income statement for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided.

(b) Income taxes, including deferred income taxes

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 Company's financial statements. Deferred tax is determined using tax rates that have been enacted or substantively 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.

(c) Foreign currency translation

Assets, liabilities and results in foreign currencies are expressed in sterling at the rate of exchange ruling on the dates of the respective balance sheets. Exchange adjustments on the translation of opening net assets and all other exchange profits or losses, which arise from normal trading activities, are included in the income statement.

(d) Cash and cash equivalents

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

(e) Loans and receivables

Loans and receivables are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs.

(f) Investment in associated undertaking

An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates is accounted for using the equity method of accounting and is initially recognised at cost. The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement. Dividends received are treated as capital repayment.

(g) Borrowings

Borrowings are stated at amortised cost using the effective interest method and are classified as financial liabilities. The coupon paid on these instruments is recognised in the income statement as interest expense.

Eastcheap Funding Limited

Notes to the financial statements

1 Accounting policies (continued)

(h) Dividends receivable and payable

Dividends on ordinary shares treated as equity are recognised in equity in the period in which they are paid. Dividends in respect of investment in ordinary and preferred shares are recognised as income in the period in which they are received.

2 Critical accounting estimates and judgements

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements 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. However, none of these were deemed critical to the Company's results and financial position.

3 Net interest income

	31 March 2010 £'000	31 March 2009 £'000
<i>Interest income</i>		
Amounts owed by intermediate parent company	2,265	11,133
Cash balance with intermediate parent company	1	342
	<u>2,266</u>	<u>11,475</u>
<i>Interest expense</i>		
Amounts owed to other group company	-	53
	<u>-</u>	<u>53</u>
Net interest income	<u>2,266</u>	<u>11,422</u>

4 Other operating income

	31 March 2010 £'000	31 March 2009 £'000
Income from share in associated undertaking	-	237
Gain on disposal of investment in associate	-	358
Foreign exchange gain	-	1
	<u>-</u>	<u>596</u>

On 31 July 2008 the 'E' shares held by the Company were redeemed (see note 7)

5 Operating expenses

	31 March 2010 £'000	31 March 2009 £'000
Statutory audit fees	<u>5</u>	<u>5</u>

The number of persons employed by the Company during the period was nil (31 March 2009: nil). Directors receive no remuneration for their services to the Company.

Eastcheap Funding Limited

Notes to the financial statements

6 Taxation	31 March 2010 £'000	31 March 2009 £'000
a) Analysis of tax charge for the period		
UK corporation tax		
Current tax charge	633	3,197

The charge for tax on the profit for the period is based on a UK corporation tax rate of 28% (31 March 2009 28%)

b) Factors affecting the tax charge for the period

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

	31 March 2010 £'000	31 March 2009 £'000
Profit before tax	2,261	12,013
Tax charge thereon at UK corporation tax rate of 28% (31 March 2009 28%)	633	3,364
Factors affecting charge		
Exempt dividends from UK tax resident companies	-	(66)
Exempt gain on disposal of investment in associate	-	(101)
Tax charge on profit before tax	633	3,197
Effective rate	28.0%	26.6%

The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax in the UK from 28 per cent to 27 per cent with effect from 1 April 2011 and was substantively enacted in July 2010. The proposed further reductions in the rate of corporation tax in the UK by 1 per cent per annum to 24 per cent by 1 April 2014 are expected to be enacted separately each year starting in 2011.

7 Investment in associated undertaking	31 March 2010 £'000	31 March 2009 £'000
At start of period	-	5,187
Dividends received in the period	-	(346)
Income from share in associated undertaking	-	237
Movement in exchange rate	-	16
Disposal of investment	-	(5,094)
At end of period	-	-

On 20 December 2006, the Company acquired the entire E share capital of Eastcheap Investments (Cayman) Ltd ("EICL") of 10,800 shares with a nominal value of \$0.01 and at a premium of \$999.99 per share. These shares carried discretionary cumulative dividends of Libor plus 15% for the period from acquisition to 2 December 2007, Libor plus 10% for the period from 2 December 2007 to 2 December 2008, Libor plus 15% for the period from 2 December 2008 to 2 March 2009 and Libor plus 10% thereafter.

The shares were redeemable at the option of EICL and ranked senior to all other shares issued by EICL, carried voting rights over 21% of EICL's equity and gave the right to appoint one director. Through these shares the Company was considered to have significant influence over EICL. On 31 July 2008, EICL exercised its right to redeem the E shares. The proceeds of \$10,800,000 (£5,452,000) received by the Company were used to repay the loan from Lloyds Bank Financial Services (Holdings) Limited.

8 Other current assets	31 March 2010 £'000	31 March 2009 £'000
Interest receivable	297	1,080

Eastcheap Funding Limited

Notes to the financial statements

9 Current taxation			31 March 2010 £'000	31 March 2009 £'000
Current tax payable			633	1,738
10 Other current liabilities			31 March 2010 £'000	31 March 2009 £'000
Sundry amounts payable to intermediate parent company			5	8
			5	8
11 Share capital			31 March 2010	31 March 2009
Authorised <i>Sterling</i> Ordinary shares of £1 each			£129,738,489	£129,738,489
<i>US dollars</i> Ordinary shares of \$1 each			\$255,001,000	\$255,001,000
Issued and fully paid	31 March 2010 Number of shares	31 March 2009 Number of shares	31 March 2010 £'000	31 March 2009 £'000
Ordinary shares of £1 each	129,738,489	129,738,489	129,738	129,738

12 Related party transactions

Eastcheap Funding Limited is incorporated and domiciled in the UK. The immediate parent company is Portland Funding Limited. The Company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB Group plc), which is 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 undertaking of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the Company Secretary's Office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. The Company's related parties include its ultimate parent company, fellow subsidiaries and pension schemes of the Company's ultimate parent company 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.

Key management personnel

There were no transactions between the Company or its subsidiaries and key management personnel during the current or preceding period. Key management personnel are employed by other companies in the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group.

Eastcheap Funding Limited

Notes to the financial statements

12 Related party transactions (continued)

Amounts owed by intermediate parent company

	31 March 2010 £'000	31 March 2009 £'000
At beginning of period	230,163	213,163
Advanced during the period	1,728	17,000
Repaid during the period	(17,000)	-
At end of period	214,891	230,163
Representing		
Lloyds TSB Bank plc	214,891	230,163
Interest income earned (refer note 3)	2,265	11,133
Interest income receivable (refer note 8)	297	1,080

On 28 October 2009 and 13 January 2010, the Company advanced £1,400,000 and £327,988 respectively, to Lloyds TSB Bank plc. On 23 March 2010, £17,000,000 was repaid to the Company by Lloyds TSB Bank plc. Interest on the loan to Lloyds TSB Bank plc is receivable at a 3 month Libor rate. No impairment has arisen in respect of the loan and accordingly no provision has been recognised. The fair value of the loan is not materially different from the carrying value as at the balance sheet date.

Amounts owed to other group company

	31 March 2010 £'000	31 March 2009 £'000
At beginning of period	-	5,436
Movement in exchange rate	-	16
Repaid during the period	-	(5,452)
At end of period	-	-
Representing		
Lloyds Bank Financial Services (Holdings) Limited	-	-
Interest charged during the period (refer note 3)	-	53
Interest payable (refer note 10)	-	-

Other transactions with intermediate parent company

	31 March 2010 £'000	31 March 2009 £'000
Cash balance with intermediate parent company		
Lloyds TSB Bank plc – Cash and cash equivalents	75	500
Interest income earned (refer note 3)	1	342

Eastcheap Funding Limited

Notes to the financial statements

13 Financial risk management

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates

A. Interest rate risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and interest rate sensitive assets. From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the group and are not managed separately. The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Based on the simulations performed, the impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of approximately £387,000 (31 March 2009: £415,000).

The table below summarises the repricing mismatches of the Company's non-trading assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Expected repricing and maturity dates do not differ significantly from the contract dates.

	1 month or less £'000	3 months or less but over 1 month £'000	1 year or less but over 3 months £'000	5 years or less but over 1 year £'000	Over 5 years £'000	Non- interest bearing £'000	Total £'000
At 31 March 2010							
<i>Assets</i>							
Amounts owed by intermediate parent company	214,891	-	-	-	-	-	214,891
Other current assets	-	-	-	-	-	297	297
Cash and cash equivalents	75	-	-	-	-	-	75
Total assets	214,966	-	-	-	-	297	215,263
<i>Liabilities</i>							
Current tax liabilities	-	-	-	-	-	633	633
Other current liabilities	-	-	-	-	-	5	5
Total liabilities	-	-	-	-	-	638	638
Total interest sensitivity gap	214,966	-	-	-	-	(341)	214,625
At 31 March 2009							
<i>Assets</i>							
Amounts owed by intermediate parent company	230,163	-	-	-	-	-	230,163
Other current assets	-	-	-	-	-	1,080	1,080
Cash and cash equivalents	500	-	-	-	-	-	500
Total assets	230,663	-	-	-	-	1,080	231,743
<i>Liabilities</i>							
Current tax liabilities	-	-	-	-	-	1,738	1,738
Other current liabilities	-	-	-	-	-	8	8
Total liabilities	-	-	-	-	-	1,746	1,746
Total interest sensitivity gap	230,663	-	-	-	-	(666)	229,997

B. Currency risk

At the balance sheet date, the Company is not exposed to any currency fluctuations.

Eastcheap Funding Limited

Notes to the financial statements

13 Financial risk management (continued)

C. Fair values of financial assets and liabilities

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged between willing parties, other than in a forced liquidation sale.

Wherever possible, fair values have been estimated using quoted market prices for instruments held. Where market prices are not available, fair values have been estimated using quoted values for instruments with either identical or similar characteristics. In certain cases, where no ready market currently exists, various techniques (such as discounted cash flows or observations of similar recent market transactions) have been developed to estimate what the approximate fair value of such instrument might be. The estimation techniques are necessarily subjective in nature and involve several assumptions.

The Company provides loans and advances to other Lloyds Banking Group companies at variable rates. The fair value of these loans and advances is not significantly different from the carrying value as disclosed in note 12. The fair values are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

D. Measurement basis of financial assets and liabilities

The accounting policies in note 1 describe how different classes of financial statements are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category and by balance sheet heading.

	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
As at 31 March 2010			
Financial assets			
Amounts owed by intermediate parent company	214,891	-	214,891
Other current assets	-	297	297
Cash and cash equivalents	-	75	75
Total financial assets	214,891	372	215,263
Financial liabilities			
Other current liabilities	-	5	5
Total financial liabilities	-	5	5
	Loans and receivables £'000	Held at amortised cost £'000	Total £'000
As at 31 March 2009			
Financial assets			
Amounts owed by intermediate parent company	230,163	-	230,163
Other current assets	-	1,080	1,080
Cash and cash equivalents	-	500	500
Total financial assets	230,163	1,580	231,743
Financial liabilities			
Other current liabilities	-	8	8
Total financial liabilities	-	8	8

Eastcheap Funding Limited

Notes to the financial statements

13 Financial risk management (continued)

E. Credit risk

The maximum credit risk exposure of the Company 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 the period end.

	31 March 2010 £'000	31 March 2009 £'000
Amounts owed by intermediate parent company	214,891	230,163
Other current assets – intermediate parent company	297	1,080
Cash and cash equivalents – intermediate parent company	75	500
Total credit risk exposure	215,263	231,743

The current rating of the intermediate parent company, Lloyds TSB Bank plc, is Aa3 as per Moody's.

F. Liquidity risk

The table below analyses liabilities of the Company on an undiscounted future cash flow basis according to contractual maturity into relevant maturity groupings based on the remaining period at the balance sheet date.

	On demand £'000	Up to 1 month £'000	1 – 3 months £'000	3 – 12 months £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
As at 31 March 2010							
Liabilities							
Other current liabilities	5	-	-	-	-	-	5
	5	-	-	-	-	-	5
As at 31 March 2009							
Liabilities							
Other current liabilities	8	-	-	-	-	-	8
	8	-	-	-	-	-	8

G. Capital risk management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Eastcheap Funding Limited

Notes to the financial statements

14 Future accounting developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2009 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Improvements to IFRSs ¹ (issued April 2009)	Sets out minor amendments to IFRS standards as part of annual improvements process	Dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2010
IFRS 9 Financial Instruments Classification and Measurement ¹	Simplifies the way entities will classify financial assets and reduces the number of classification categories to two, fair value and amortised cost. The existing available-for-sale and held-to-maturity categories have been eliminated. Classification will be made on the basis of the objectives of entity's business model for managing the assets and the characteristics of the contractual cash flows.	Annual periods beginning on or after 1 January 2013
IAS24 Related Party Disclosures	Simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government related entities	Annual periods beginning on or after 1 January 2011

1 At the date of this report, these pronouncements are awaiting EU endorsement

The full impact of these accounting changes is being assessed by the Company. With the exception of IFRS 9, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial statements.