

CBRAIL (CAESAR) LIMITED

YEAR ENDED 31 DECEMBER 2010



Member of Lloyds Banking Group

Registered number 05279533

CBRAIL (CAESAR) LIMITED

DIRECTORS

T S Durham

SECRETARY

P Gittins

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

REGISTERED OFFICE

Level 7
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

REGISTERED NUMBER

05279533

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

During the year, the principal activity of the company is that of an investment company and this is likely to continue for the foreseeable future. The directors consider the results for the year to be satisfactory.

The results of the company show a profit before taxation of £2,000 (2009 £68,000 loss) for the year as set out in the statement of comprehensive income on page 5. The company has a deficit on shareholder's equity of £101,000 (2009 £151,000).

The company is reliant on funding ultimately provided by Lloyds Banking Group plc. Owing to uncertainty in financial markets, Lloyds Banking Group plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

DIVIDENDS

No dividends were paid during the year (2009 £970,000).

DIRECTORS

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

	Appointed	Resigned/ceased to be a director
D L Shindler	5 November 2007	9 July 2010
N D Lewis	26 October 2009	31 March 2011
T S Durham	8 July 2010	-

DIRECTORS' INDEMNITIES

The Directors have the benefit of a contract of indemnity which constitutes a "qualifying third party indemnity provision". This contract came into force during the financial year and remains in force. It is available for inspection at the registered office of Lloyds Banking group plc.

RESPONSIBILITIES OF DIRECTORS

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state that the financial statements comply with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and which 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

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

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

KEY PERFORMANCE INDICATORS ('KPIs')

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

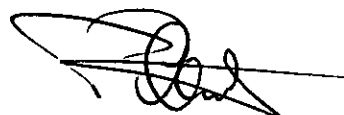
POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department for Business Innovation and Skills (BIS), regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the BIS Publications Orderline 0845-0150010 (quoting ref URN 04/606)

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

As the company owed no amounts to trade creditors at 31 December 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)

On behalf of the board



P Gittins
Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CBRAIL (CAESAR) LIMITED

We have audited the financial statements of CBRAil (Caesar) Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Shareholders 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 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 opinion, 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 the 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

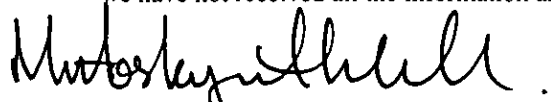
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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


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

Edinburgh

Date 25 July 2011.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Finance income	2	9	3
Foreign exchange loss		(7)	(71)
Profit/(loss) before taxation	3	2	(68)
Taxation credit/(charge)	4	48	(155)
Total comprehensive income/(loss) for the year attributable to the owners of the parent		50	(223)

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET
As at 31 December 2010

Registered No 05279533

	Note	2010 £000	2009 £000
Assets			
Current assets			
Investments in subsidiaries	6	-	-
Amounts owed by group companies	7	86	57
Total assets		<u>86</u>	<u>57</u>
Liabilities			
Current liabilities			
Amounts owed to group companies	8	187	-
Other liabilities	9	-	208
Total liabilities		<u>187</u>	<u>208</u>
Equity			
Share capital	10	-	-
Retained earnings	11	(101)	(151)
Total liabilities and equity		<u>86</u>	<u>57</u>

The directors approved the accounts on ~~[dd month 200x]~~ 25 July 2011


T S Durham
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

		Share capital	Retained earnings	Total
	Note	£000	£000	£000
Balance at 1 January 2009	10,11	-	1,042	1,042
Transactions with owners				
Dividends paid to shareholders	5	-	(970)	(970)
Total comprehensive loss for the year				
Loss for the year	11	-	(223)	(223)
Balance at 31 December 2009 and 1 January 2010	10,11	-	(151)	(151)
Total comprehensive income for the year				
Profit for the year	11	-	50	50
Balance at 31 December 2010	10,11	-	(101)	(101)

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash flow from operating activities	13	26	(1)
Financing activities			
Movement in intercompany balances		(59)	1
Dividends paid to shareholders	5	-	(970)
Net cash flow from financing activities		(59)	(969)
Effect of exchange rate movements		(7)	(71)
Net movement in cash and cash equivalents		(40)	(1,041)
Cash and cash equivalents at beginning of the year		40	1,081
Cash and cash equivalents at end of the year		-	40
Cash and cash equivalents are comprised of			
Cash at bank	7	-	40
		-	40

The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below

The financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and all derivative contracts, on the basis of IFRS

In preparing these financial statements the company has adopted IAS 1 (revised) Presentation of financial statements. The adoption of IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the company. In accordance with the transitional requirements of the standards, the company has provided full comparative information.

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.

(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 or individual voluntary arrangement proceedings.

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

(c) Dividends

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

(d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-mandatory balances with central banks and amounts due from banks with a maturity of less than three months.

(e) Fair value

The fair value of finance lease receivables is derived from a present value cash flow model of expected cash flows from the lease using current market interest rates and margin for the risks inherent in the lease.

(f) Foreign currency translation

Following the acquisition of HBOS plc on 16th January by Lloyds Banking Group plc (formerly Lloyds TSB Group plc), CBRail (Caesar) Limited is applying accounting policies consistent with those applied by its ultimate parent Lloyds Banking Group plc (LBG).

Items included in the financial statements of CBRail (Caesar) Limited are measured using the currency of the primary economic environment in which CBRail (Caesar) Limited operates. Consistent with the foreign currency translation accounting policy applied by LBG, which reflects LBG's interpretation of IAS21, the financial statements of CBRail (Caesar) Limited are presented in sterling which is considered the company's functional currency.

Foreign currency transactions are translated into sterling using the rates prevailing at the date of the transaction. 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 a foreign currency are translated at year end exchange rates with translation movements recognised in the income statement.

2 Finance income

	2010 £000	2009 £000
Interest receivable from other group companies	-	3
Interest receivable on corporation tax	9	-
	<hr/>	<hr/>
	9	3
	<hr/>	<hr/>

3 Profit/(loss) before taxation

Audit fees for the company are borne by the immediate parent company, the audit fee attributed to this company for the year was £6,700 (2009 £6,500). The company has no employees and the directors received no remuneration in respect of their services to the company.

NOTES TO THE FINANCIAL STATEMENTS

4 Taxation credit/(charge)

	2010 £000	2009 £000
The credit/(charge) for the year comprises		
Current tax charge for the period	(3)	(52)
Adjustment to tax in respect of exchange differences	-	(56)
Adjustment to tax in respect of prior year	51	(47)
	<hr/>	<hr/>
Total taxation credit/(charge) for year	48	(155)
	<hr/>	<hr/>

Taxation on the company's profit for the year differed from the taxation charge that would arise using the standard rate of corporation tax of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000
Profit/(loss) before taxation	2	(68)
	<hr/>	<hr/>
Taxation (charge)/credit at the standard rate of corporation tax	(1)	19
Foreign exchange differences	(2)	(127)
Adjustment in respect of prior year	51	(47)
	<hr/>	<hr/>
Total taxation credit/(charge) for the year	48	(155)
	<hr/>	<hr/>

5 Dividends

	2010 £000	2009 £000
Dividends paid during the year	-	970
	<hr/>	<hr/>

Dividend per share for the company was £nil per share (2009 £970,000)

6 Investments in subsidiaries

	2010 £000	2009 £000
Investments at cost	7,884	7,884
Investments written off	(7,884)	(7,884)
	<hr/>	<hr/>
Balance as at 31 December	-	-
	<hr/>	<hr/>

CBRail (Euro) Limited is a wholly owned subsidiary, incorporated in the United Kingdom The investment in CBRail (Euro) Limited of 100 shares with a nominal value of €1 each, and a carrying value of €11,271 in total was written off to nil in October 2005, as the assets held were transferred to CBRail (Caesar) Limited The investment in CBRail (Euro) Limited is therefore carried at a fair value of nil

NOTES TO THE FINANCIAL STATEMENTS

7 Amounts owed by group companies

	2010 £000	2009 £000
Cash at bank	-	40
Amounts receivable from parent undertaking	86	17
	<hr/> 86	<hr/> 57

For further details please refer to note 14

8 Amounts owed to group companies

	2010 £000	2009 £000
Amounts due to fellow subsidiary undertakings	10	-
Group relief payable	177	-
	<hr/> 187	<hr/> -

For further details please refer to note 14

9 Other liabilities

	2010 £000	2009 £000
Income tax payable	-	208
	<hr/> -	<hr/> 208

10 Share capital

	2010 £	2009 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid 1 ordinary share of £1	<hr/> 1	<hr/> 1

The company's immediate parent company is CBRAIL Limited. The company regarded by the directors as the ultimate parent company is Lloyds Banking Group plc (formerly Lloyds TSB 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 of both may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

NOTES TO THE FINANCIAL STATEMENTS

10 Share capital (continued)

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

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

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

11 Retained earnings

	2010 £000	2009 £000
At beginning of the year	(151)	1,042
Profit/(loss) for the year	50	(223)
Dividends paid to shareholders	-	(970)
	<hr/>	<hr/>
At end of the year	(101)	(151)

12 Risk management of financial instruments

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

In accordance with IAS39 "Financial instruments: Recognition and measurement", finance lease receivables are designated as loans and receivables and all other 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:

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 at 31 December 2010

	2010 £000	2009 £000
Financial assets which are neither past due nor impaired		
Amounts owed by group companies	86	57
	<hr/>	<hr/>
Total credit risk exposure	86	57

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc). Each financial asset is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease

NOTES TO THE FINANCIAL STATEMENTS

12 Risk management of financial instruments (continued)

Financial assets by credit rating

	AAA	AA	A	BBB	rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2010							
Amounts owed by group companies	-	86	-	-	-	-	86
Total	-	86	-	-	-	-	86
At 31 December 2009							
Amounts owed by group companies	-	57	-	-	-	-	57
Total	-	57	-	-	-	-	57

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 lease rentals or debt restructurings to reduce the financial burden on the lessee.

At 30 December 2010 and 2009 there were no impairments relating to credit risk against any financial assets. The company's credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

Liquidity risk management

At 31 December 2010	Bank borrowings £000	Other liabilities £000	Total liabilities £000
On demand	-	177	177
Up to 1 month	-	-	-
1 – 3 months	-	-	-
3 – 12 months	10	-	10
1 – 5 years	-	-	-
Over 5 years	-	-	-
Total	10	177	187
At 31 December 2009	Bank borrowings £000	Other liabilities £000	Total liabilities £000
On demand	-	208	208
Up to 1 month	-	-	-
1 – 3 months	-	-	-
3 – 12 months	-	-	-
1 – 5 years	-	-	-
Over 5 years	-	-	-
Total	-	208	208

NOTES TO THE FINANCIAL STATEMENTS

12 Risk management of financial instruments (continued)**Liquidity risk management (continued):**

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking. Other liabilities are repayable on demand.

Interest rate risk management:

The company has no exposure to variable rate financial assets or liabilities.

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

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the company has no material exposure to financial risk arising from changes in market interest rates.

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

Foreign currency risk:

The financial statements are presented in sterling which is considered the company's functional currency. This reflects a change in the previous accounting policy applied by CBRAIL (Caesar) Limited which, prior to 2009, reported the company with a Euro functional currency.

Below are the assets and liabilities of the company disclosed in Euros

	2010 €000	2009 €000
Amounts owed by group companies	100	63
	<hr/>	<hr/>
	100	63
	<hr/>	<hr/>
Amounts due to group companies	217	-
Other liabilities	-	234
	<hr/>	<hr/>
	217	234
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

13 Notes to the cash flow statement

	2010 £000	2009 £000
Profit/(loss) from operations	2	(68)
Foreign exchange gain	7	67
Operating cash flows before movements in working capital	9	(1)
Income taxes received	17	-
Net cash flow from operating activities	26	(1)

14 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 2010 were as follows:

Nature of transaction	Related party	2010 £000	2009 £000
Cash at bank	Fellow subsidiary undertaking	-	40
Amounts due from group companies	Immediate parent undertaking	86	17
Amounts due to group companies	Fellow subsidiary undertaking	(10)	-
Group relief payable	Immediate parent undertaking	(177)	-

The company received interest of £nil (2009: £3,000) during the year from other group companies.

15 Post balance sheet events

A number of changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement in addition to those announced in the June 2010 Budget Statement. A resolution passed by Parliament reduced the main rate of corporation tax to 26% from 1 April 2011. This reduction was enacted under the Provisional Collection of Taxes Act 1968 on 29 March 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

16 Future developments

The following accounting standard changes will impact the company in the next financial period

Pronouncement	Nature of change	IASB 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 <i>Financial Instruments Classification and Measurement</i> 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 <i>Related Party Disclosures</i>	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

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