CAPITAL BANK ASSET FINANCE LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2009

COMPANY NUMBER: SC7039

CAPITAL BANK ASSET FINANCE LIMITED

YEAR ENDED 31 MAY 2009

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CAPITAL BANK ASSET FINANCE LIMITED

YEAR ENDED 31 MAY 2009

REPORT OF THE DIRECTORS

The Directors hereby submit their Report and the accounts for the year ended 31 May 2009.

Business Review

The main objective of the company is to lease assets to third parties for an agreed term. During the year the company continued to write new businesses and manage the leasing transactions underwritten in previous years.

The immediate parent company, Bank of Scotland plc, acts as an agent to this company in return for an annual fee. Agency services provided include seeking new business, negotiating and agreeing lease contract terms with customers, executing all lease documents on behalf of the company, maintaining accounting and other records and settling invoices. Bank of Scotland plc also provides funding to this company.

Performance

The directors consider that the company has conducted its activities throughout the year in a satisfactory manner. The company continued to write new business during the year although it is the intention of management to cease writing new business in July 2009 and allow the existing book to run off.

The company's loss after tax for the financial year is £704,000 (2008: loss £280,000) an increase of £424,000. The company has total assets of £11,420,000 (2008: £18,632,000) a decrease of £7,212,000.

Whilst the company continued to write new business during the year it did so at a much reduced level. Total additions for operating leased assets amounted to £356,000 in the year to 31 May 2009 compared to £6,333,000 for the year to 31 May 2008.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the company are managed within the framework established at the HBOS plc group level. From the 16th January 2009 this framework has been integrated into the Lloyds Banking Group. These risks are discussed and supplementary qualitative and quantitative information is provided in note 17 to the financial statements.

Key Performance Indicators

It is the directors' intention to cease writing new business. The directors are, therefore, of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Financial instruments

The company's policy relating to the management of financial risk and potential exposures are detailed in note 17.

Results and dividends

The results for the year are shown in the Income Statement on page 6. An interim dividend of £nil was paid during the year (2008: £382,000).

Going concern

The company is reliant on funding ultimately provided by Lloyds TSB Bank plc. Owing to uncertainty in financial markets Lloyds TSB Bank plc participates in government sponsored measures to improve funding and liquidity. The directors are satisfied that it is the intention of Lloyds TSB Bank 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.

Directors

The Directors of the Company during the year to 31 May 2009 were: -

A. L. Webster	(resigned 30 June 2009)
L. J. Town	(resigned 7 April 2009)
S. J. Ballingall	(resigned 30 June 2009)

G. Ferguson, J. M. Morrissey and T. M. Blackwell were appointed as directors on 30 June 2009.

Auditor

Following the resignation of KPMG Audit Plc on 9 June 2009, PricewaterhouseCoopers LLP were appointed as auditor of the company with effect from the same date by resolution of the members dated 4 September 2009.

Pursuant to section 487 of the Companies Act 2006, auditors duly appointed by the members of the company shall, subject to any resolution to the contrary, be deemed to be reappointed for the next financial year and PricewaterhouseCoopers LLP will therefore continue in office.

Statement of directors' responsibilities in respect of the Report and the financial statements

The directors are responsible for preparing the 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 that 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. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (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 proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and which enable them to ensure that its 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 for fraud and other irregularities.

Statement on disclosure of information to the auditors

The directors who held office at the date of approval of this Report confirm that, so far as they each are 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 ought to have taken as a director 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.

By order of the Board

John Morrissey

J.M. Morrissey
Director

Level 1
Citymark
150 Fountainbridge
Edinburgh
EH3 9PE

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CAPITAL BANK ASSET FINANCE LIMITED

We have audited the financial statements of Capital Bank Asset Finance Limited for the year ended 31 May 2009 which comprise the income statement, 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 3, 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 member as a body in accordance with Sections 495 and 496 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 May 2009 and of its loss 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.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF CAPITAL BANK ASSET FINANCE LIMITED (continued)

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

1st March 2010

CAPITAL BANK ASSET FINANCE LIMITED

YEAR ENDED 31 MAY 2009

INCOME STATEMENT

	Notes	2009	2008
		£'000	£'000
Other operating income	3	4,983	7,558
Other operating expense	4	(5,317)	(6,548)
Interest and similar expense		(413)	(1,311)
Net interest expense	2	(413)	(1,311)
Impairment losses on operating lease receivables		(168)	-
Loss before taxation		(915)	(301)
Taxation	7	211	21
Loss for the year attributable to equity shareholders		(704)	(280)

The notes on pages 10 to 22 form part of the financial statements.

There are no recognised gains or losses other than those shown in the Income Statement.

All items relate to continuing activities.

Company number: SC 7039

CAPITAL BANK ASSET FINANCE LIMITED

AS AT 31 MAY 2009

BALANCE SHEET

	Notes	2009	2008
		£'000	£'000
Assets			
Property, plant and equipment	**8**	**7,151**	16,731
Deferred tax assets	**9**	**2,616**	581
Total non-current assets		**9,767**	17,312
Cash and cash equivalents	**12**	**1,620**	950
Other current assets	**10**	**33**	370
Total current assets		**1,653**	1,320
Total assets		**11,420**	18,632
Liabilities			
Amounts due to group undertakings	**14**	**11,003**	17,961
Current taxation creditor		**1,692**	219
Other liabilities	**11**	**190**	1,213
Total current liabilities		**12,885**	19,393
Total liabilities		**12,885**	19,393
Equity			
Issued capital	**13**	**4**	4
Retained earnings		**(1,469)**	(765)
Total equity		**(1,465)**	(761)
Total equity and liabilities		**11,420**	18,632

The notes on pages 10 to 22 form part of the financial statements.

Approved by the Board of Directors on 1st March 2010 and signed on its behalf by

John Morrissey
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J. M. Morrissey
Director

CAPITAL BANK ASSET FINANCE LIMITED

AS AT 31 MAY 2009

STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Retained profits £'000	Total £'000
At 1 June 2007	**4**	**(103)**	**(99)**
Loss for the year	-	(280)	(280)
Dividend paid in year	-	(382)	(382)
At 31 May 2008	**4**	**(765)**	**(761)**
Loss for the year	-	(704)	(704)
At 31 May 2009	**4**	**(1,469)**	**(1,465)**

The notes on pages 10 to 22 form part of the financial statements.

CAPITAL BANK ASSET FINANCE LIMITED

YEAR ENDED 31 MAY 2009

STATEMENT OF CASH FLOWS

	Notes	2009	2008
		£'000	£'000
Cash flows from operating activities			
Loss before taxation		**(915)**	(301)
Changes in operating assets and liabilities:			
Decrease in other current assets		**297**	446
(Decrease) in payables		**(1,023)**	(1,248)
Depreciation of operating leased assets		**3,686**	5,096
Loss on disposal of operating leased assets		**1,203**	-
Cash generated from operations		**3,248**	3,993
Corporation tax paid		**(351)**	(711)
Net cash from operating activities		**2,897**	3,282
Cash flows from investing activities			
Purchase of operating leased assets		**(356)**	(6,333)
Proceeds from sale of operating leased assets		**5,047**	10,777
Dividends paid		**-**	(382)
Net cash from investing activities		**4,691**	4,062
Cash flows used in financing activities			
Decrease/(increase) in balances due from group undertakings		**40**	(19)
(Decrease)/increase in balances due to group undertakings		**(6,958)**	(6,027)
Net cash used in financing activities		**(6,918)**	(6,046)
Net increase in cash and cash equivalents		**670**	1,298
Cash and cash equivalents at 1 June		**950**	(348)
Cash and cash equivalents at 31 May	12	**1,620**	950

The notes on pages 10 to 22 form part of the financial statements.

NOTES TO THE ACCOUNTS

1. Accounting Policies

Basis of preparation

Capital Bank Asset Finance Limited is a company domiciled in Scotland.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and interpretations issued by the International Reporting Interpretations Committee ('IFRIC').

Details of those pronouncements which will be relevant to the company, but which were not effective at 31 May 2009 and which have not been applied in preparing these financial statements are given in note 18.

The financial statements have been prepared under the historical cost basis.

Operating lease income

Operating lease income is recognised on a straight line basis over the life of a lease.

Fees and Commission

Fees and commission income and expense are recognised in the income statement as the related service is provided except those that are integral to the yield which are accounted for on an effective interest rate basis.

1. Accounting Policies (continued)

Financial assets and liabilities

The financial assets comprise cash and cash equivalents and other current assets. The financial liabilities comprise amounts due to group undertakings and other liabilities.

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and liabilities are recognised at amortised cost inclusive of transactions costs, using the effective interest method.

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

Property, plant and equipment

Operating lease assets are recorded as property, plant and equipment at historical purchase price less depreciation and any impairment allowance.

Depreciation is calculated using the straight line method to allocate the difference between the cost and expected residual value over the period of the lease.

Future rates of depreciation are re-assessed each year in light of changes to anticipated residual values, and are amended as required.

Cash and cash equivalents

Cash and cash equivalents comprise deposits at bank held at call or within three months notice or less.

1. Accounting Policies (continued)

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.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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

Impairment provisions

Impairment of property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the income statement.

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, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the income statement.

Critical Accounting Judgements

The preparation of the 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.

Operating lease residual value

The company regularly reviews the residual value of its operating lease assets by reference to independent market value data and the prevailing economic conditions, and adjusts rates of depreciation accordingly.

1. Accounting Policies (continued)

Impairment losses

Impairment loss calculations involve the estimation of future cash flows based on observable data at the balance sheet date. The company takes account of a number of relevant considerations including historical experience, future prospects of the customer, value of collateral held and reliability of information. Significant judgement is applied in estimating the impact of these considerations on the expected future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Net interest expense

	2009	2008
	£'000	£'000
Interest and similar expense		
Intra group Interest expense (see note 15)	**(398)**	(1,309)
Other interest	**-**	(2)
Interest on corporation tax	**(15)**	-
	(413)	(1,311)

3. Other operating income

	2009	2008
	£'000	£'000
Operating leasing income	**4,879**	7,386
Fees	**104**	168
Insurance commission (note 15)	**-**	4
	4,983	7,558

4. Other operating expenses

	2009 £'000	2008 £'000
Commission payable	**343**	633
Depreciation	**3,686**	5,096
Net loss from disposal of operating leased assets	**1,203**	680
Management charge (note 15)	**85**	139
	5,317	6,548

Fees payable to the company's auditors for the audit of the financial statements of £2,000 (2008: £2,000) have been borne by a fellow subsidiary undertaking.

5. Staff numbers and costs

The company has no employees. It uses the services of its immediate parent undertaking for which a management charge, included in other operating expenses, is made. It is not possible to determine the amount of this charge that relates to staff costs.

6. Directors' emoluments

None of the directors received any emoluments for their services as directors of the company. (2008: £nil).

The directors are employed by other companies within the Lloyds Banking Group and consider that their services to the company are incidental to their other activities within the group. There are no other key management personnel.

7. Taxation

a. Analysis of charge for the year

	2009 £'000	2008 £'000
Current tax		
Current tax on loss charge for the year	**777**	447
Adjustments in respect of prior years	**1,047**	57
	1,824	504
Deferred tax (note 9)		
Deferred tax credit for the year	**(1,033)**	(526)
Deferred tax changes in rates of corporation tax	**-**	40
Adjustments in respect of prior years	**(1,002)**	(39)
	(2,035)	(525)
	(211)	(21)

The main UK Corporation tax rate reduced from 30% to 28% on 1 April 2008. The average rate of UK Corporation tax for the year to 31 May 2009 is 28% (2008: 29.67%).

b. Factors affecting the tax charge for the year

The effective tax rate for the year is 23.06% (2008: 6.98%) which is lower (2008: lower) than the average rate of corporation tax for the year. The differences are explained below.

	2009 £'000	2008 £'000
Loss before taxation	**(915)**	(301)
Tax thereon at UK corporation tax rate at 28% (2008:29.67%)	**(256)**	(89)
Effects of:		
Adjustments to tax in respect of prior years	**45**	18
Impact of change on rate of corporation tax	**-**	50
	(211)	(21)

8. Property, plant and equipment

	£'000
Cost	
Balance at 1 June 2007	36,705
Additions	6,333
Disposals	(16,079)
At 31 May 2008	**26,959**
Balance at 1 June 2008	26,959
Additions	356
Disposals	(10,017)
At 31 May 2009	**17,298**
Depreciation	
Balance at 1 June 2007	10,434
Depreciation charge for the year	5,096
Disposals	(5,302)
At 31 May 2008	**10,228**
Balance at 1 June 2008	10,228
Depreciation charge for the year	3,686
Disposals	(3,767)
At 31 May 2009	**10,147**
Carrying amounts	
At 31 May 2008	**16,731**
At 31 May 2009	**7,151**

8. Property, plant and equipment (continued)

All operating leased assets are vehicles.

There are no rentals on operating leases that have a contingent element.

The future minimum lease rentals receivable under non cancellable operating leases are as follows:

	2009	2008
	£'000	£'000
Less than one year	**2,004**	4,307
Between one and five years	**502**	2,509
	2,506	6,816

The company leases a portfolio of motor vehicles and commercial vehicles to private companies under operating leases for varying lengths from short term periods of 6 months up to period of 25 years.

9. Deferred tax assets

The movement for the year in the company's net deferred tax asset was as follows:

	2009	2008
	£'000	£'000
At 1 June	**581**	56
Credit to income for the year (note 7)	**2,035**	525
Balance carried forward as at 31 May	**2,616**	581

In both the year ended 31 May 2009 and 2008, all balances and income statement credits related to accelerated capital allowances.

10. Other current assets

	2009	2008
	£'000	£'000
VAT	**-**	72
Other debtors	**33**	258
Amounts due from group undertakings (note 15)	**-**	40
	33	370

Amounts due from group undertakings are unsecured and repayable on demand. Interest is charged at 3 month LIBOR.

11. Other liabilities

	2009 £'000	2008 £'000
VAT	**78**	-
Other creditors	**112**	1,213
	190	1,213

12. Cash and cash equivalents

	2009 £'000	2008 £'000
Cash at bank (note 15)	**1,620**	950

13. Share Capital

	2009 £	2008 £
Authorised		
4,000 ordinary shares of £1 each	**4,000**	4,000
Allotted, called up and fully paid		
4,000 ordinary shares of £1 each	**4,000**	4,000

14. Amounts due to group undertakings

	2009 £'000	2008 £'000
Current liabilities		
Amounts due to group undertakings (note 15)	**11,003**	17,961

The above amounts are repayable on demand. Interest is charged at 3 month LIBOR.

15. Related parties

Key management personnel, which consist of the directors of the company, and members of their close families have not undertaken any transactions with Capital Bank Asset Finance Limited in the normal course of business.

The Company had the following reportable transactions with related parties:

Transactions included within Income Statement

	2009	2008
	£'000	£'000
Intra group interest (note 2)	**(398)**	(1,309)
Insurance commission (note 3)	**-**	4
Management charge (note 4)	**(85)**	(139)

Outstanding balances included within Balance Sheet

Cash & Cash Equivalents (note 12)	**1,620**	950
Amounts due from group undertakings (note 10)	**-**	40
Amounts due to group undertakings (note 14)	**(11,003)**	(17,961)

Cash is held with Bank of Scotland plc, immediate parent company.

16. Parent undertaking

Bank of Scotland plc (incorporated in Scotland) is the immediate parent undertaking of Capital Bank Asset Finance Limited. The smallest group into which the company is consolidated are the consolidated accounts of the Bank of Scotland plc group.

From 16 January 2009, Capital Bank Asset Finance Limited's ultimate parent undertaking and controlling party is Lloyds Banking Group plc (formerly Lloyds TSB Group) which is incorporated in Scotland. Lloyds Banking Group plc will produce consolidated accounts for the year ended 31 December 2009. Copies of the annual report and accounts of Lloyds TSB Group plc for the year ended 31 December 2008 may be obtained from Lloyds Banking Group's head office at 25 Gresham Street, London, EC2V 7HN.

Prior to 16 January 2009, HBOS plc was the ultimate parent undertaking of Capital Bank Asset Finance Limited. Copies of the annual report and accounts of HBOS plc for the year ended 31 December 2008 may be obtained from HBOS plc's registered office at The Mound, Edinburgh, EH1 1YZ.

17. Financial risk management

The company's operations expose it to credit risk, liquidity risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the Board of Directors, operating within a management framework established by its immediate parent, Bank of Scotland plc, and the ultimate parent, Lloyds Banking Group plc (formerly HBOS plc). The interest rate and liquidity risk faced by the company is in substance managed and borne by other group companies which fund the company and credit risk is carefully monitored by credit committees and credit functions which operate at business unit and divisional levels within the wider Lloyds Banking Group (formerly HBOS Group). The company does not trade in financial instruments, nor does it use derivatives.

Credit risk

Credit risk is the risk that a customer will be unable to pay amounts in full when due. The credit risk associated with operating lease rentals receivable is managed through the application of strict underwriting criteria, determined by credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

The company lends predominantly to wholesale customers (being corporate customers) based in the United Kingdom.

Trade receivables

The maximum exposure to trade receivables at the year end is as follows: £198,000 (2008: £233,000).

	2009	2008
	£	£
Past due up to 30 days	**15**	18
Past due from 30-60 days	**8**	9
Past due from 60-90 days	**7**	8
Past due from 90 days – 1 year	**117**	138
Past due greater than 1 year	**51**	60
Total	**198**	233

Past due is defined as failure to make a payment when it falls due. Trade receivables of £168,000 (2008: £nil) are considered impaired against which a provision of £168,000 is held (2008: £nil). The above figures are shown gross of this provision.

Liquidity risk

The Company is funded on an ongoing basis entirely by companies within the Lloyds Banking Group. Such funding is repayable within three months, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

17. Financial Instruments (continued)

Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

Fair values of financial assets and liabilities

The directors consider that there are no material differences between the carrying amounts shown in the balance sheet and the fair value

Residual value risk

The leasing portfolio includes agreements where the company has a risk in respect of residual value of the assets. This area of credit policy is monitored by a residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the company's own risk management data.

18. Future developments

The following relevant pronouncements have not yet been adopted by the European Union, are not effective for the year ended 31 May 2009 and have not been applied in preparing the financial statements.

Amendments to IAS 1 (Revised) 'Presentation of Financial Statements' which is effective for accounting periods commencing on or after 1 January 2009. The revised standard will affect the presentation of owner changes in equity and of comprehensive income. Adoption will not change the recognition, measurement or disclosure of specific transactions or events as required by other standards.

Improvements to IFRS sets out minor amendments to IFRS standards as part of the annual improvements process and will be dealt with on a standard by standard basis but not earlier than annual periods beginning on or after 1 January 2009.

The impact of these pronouncements is currently being assessed but they are not expected to cause any material adjustments to the reported numbers in the financial statements.

19. Contingent liabilities and commitments

There were no contingencies or contracted capital commitments at the balance sheet date (2008: nil).

20. Post Balance Sheet Events

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

21. Capital disclosures

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 shareholders 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 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 externally.