LLOYDS
BANKING
GROUP

OLD BROAD STREET INVESTMENTS (NUMBER 2) LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2009

Member of Lloyds Banking Group

Registered Number 02799756

OLD BROAD STREET INVESTMENTS (NUMBER 2) LIMITED

DIRECTORS

A J Smith
C G Dowsett

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

02799756

REPORT OF THE DIRECTORS

REVIEW OF BUSINESS

Durıng the year ended 31 December 2009, the prıncıpal actıvıty of the company was to operate as an ınvestment holdıng company and thıs ıs lıkely to contınue for the foreseeable future The dırectors consıder the results for the year ended 31 December 2009 to be satısfactory

The results of the company show a loss before taxatıon of £1,927,000 (profit ın 2008 £8,796,000) for the year ended 31 December 2009 set out ın the ıncome statement on page 5 The company has shareholder's equıty of £115,959 (2008 £117,347)

The company ıs relıant on fundıng ultımately provıded by Lloyds Bankıng Group plc Owıng to uncertaınty ın financıal markets, Lloyds Bankıng Group plc partıcıpates ın government sponsored measures to ımprove fundıng and lıquıdıty The dırectors are satısfied that ıt ıs the ıntentıon of Lloyds Bankıng Group plc that ıts subsıdıarıes ıncludıng the company wıll contınue to receıve fundıng ın the future and, accordıngly, the financıal statements have been prepared on a goıng concern basıs

DIVIDENDS

The dırectors dıd not authorıse or pay any dıvıdends durıng the year (2008 £nıl)

DIRECTORS

The names of the dırectors of the company are shown on page 1 The followıng change ın dırectors has taken place durıng the year and sınce the year ended

	Appoınted	Resıgned/ceased to be a dırector
C Rıchards	5 November 2007	23 Aprıl 2010
Y E Sharp	5 November 2007	30 June 2010
D L Shındler	5 November 2007	09 July 2010
A J Smıth	08 July 2010	-
C G Dowsett	08 July 2010	-

RESPONSIBILITIES OF DIRECTORS

The dırectors are responsıble for preparıng the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Internatıonal Fınancıal Reportıng Standards (IFRSs) as adopted by the European Unıon The financıal statements are requıred by law to gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng those financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgements and estımates that are reasonable and prudent,
- state that the financıal statements comply wıth IFRSs as adopted by the European Unıon, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness, ın whıch case there should be supportıng assumptıons or qualıficatıons as necessary

The dırectors confirm that they have complıed wıth the above requırements ın preparıng the financıal statements The dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and whıch enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

AUDITORS

Followıng the resıgnatıon of KPMG Audıt Plc on 21 July 2009, PrıcewaterhouseCoopers LLP were appoınted as audıtors of the company wıth effect from the same date by resolutıon of the members dated 13 August 2009

Pursuant to sectıon 487 of the Companıes Act 2006, audıtors duly appoınted by the members of the company shall, subject to any resolutıon to the contrary, be deemed to be reappoınted for the next financıal year and PrıcewaterhouseCoopers LLP wıll therefore contınue ın office

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 14 - '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
REPORT OF THE DIRECTORS

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 2009, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 2006, is £nil

On behalf of the board

C G Dowsett
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OLD BROAD STREET INVESTMENTS (NUMBER 2) LIMITED

We have audited the financial statements of Old Broad Street Investments Limited (Number 2) for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, 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 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 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

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

Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Date 3/8/10

Registered Number 02799756

INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Finance income	2	3,955	14,388
Finance costs	3	(5,882)	(5,592)
(Loss)/profit before taxation	4	(1,927)	8,796
Taxation credit/(charge)	5	539	(2,534)
(Loss)/profit for the year – all attributable to equity shareholders		(1,388)	6,262

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF COMPREHENSIVE (LOSS)/INCOME

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
(Loss)/profit for the year	**13**	**(1,388)**	**6,262**
Total comprehensive (loss)/income for the year		**(1,388)**	**6,262**
Total comprehensive (loss)/income attributable to equity shareholders		(1,388)	6,262
Total comprehensive (loss)/income for the year		**(1,388)**	**6,262**

The accompanying notes are an integral part of the Financial Statements

BALANCE SHEET

As at 31 December 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Assets					
Current assets					
Amounts owed by group companies	6		262,921		263,065
Total assets			262,921		263,065
Liabilities					
Current liabilities					
Amounts owed to group companies	7		5,293		8,283
Non-current liabilities					
Other borrowed funds	8	111,724		105,844	
Deferred taxation	9	29,945	141,669	31,591	137,435
Total liabilities			146,962		145,718
Equity					
Issued capital	10	960		960	
Share premium	11	854		854	
Capital contribution	12	101,500		101,500	
Retained earnings	13	12,645	115,959	14,033	117,347
Total liabilities and equity			262,921		263,065

The directors approved the accounts on 3rd August 2010

C G Dowsett
Director

The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital	Share premium	Other reserves	Retained earnings	Total
		£000	£000	£000	£000	£000
Balance at 1 January 2008	10, 11, 12, 13	960	854	101,500	7,771	111,085
Total comprehensive income for the period						
Profit for the year	13	-	-	-	6,262	6,262
Balance at 31 December 2008 and 1 January 2009	10, 11, 12, 13	960	854	101,500	14,033	117,347
Total comprehensive income for the period						
Loss for the year	13	-	-	-	(1,388)	(1,388)
Balance at 31 December 2009	10, 11, 12, 13	960	854	101,500	12,645	115,959

The accompanying notes are an integral part of the Financial Statements

CASH FLOW STATEMENT

For the year ended 31 December 2009

	Note	2009 £000	2008 £000
Net cash flow from operating activities	15	(146)	6,343
Financing activities			
Increase/(decrease) in bank borrowings		148	(6,343)
Net cash flow from financing activities		148	(6,343)
Net increase in cash and cash equivalents		2	-
Cash and cash equivalents at beginning of the year		1	1
Cash and cash equivalents at end of the year		3	1

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

(b) Dividends

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

(c) 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

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies (continued)

(d) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The financial statements are presented in sterling, which is the company's functional and presentation currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end and exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges

(e) Other borrowed funds

Other borrowed funds comprise preference shares that are classified as debt, using the effective interest method Preference shares are classified as debt where they are redeemable on a specific date, or at the option of the shareholders, or if dividend payments are not discretionary Dividends on preference shares classified as debt are recognised in the income statement through interest expense

(f) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised Income tax payable on profits is recognised as an expense in the period in which those profits arise The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised

2 Finance income

	2009 £000	2008 £000
Interest income received from group companies	3,955	14,388
	3,955	14,388

3 Finance costs

	2009 £000	2008 £000
Interest payable to other group companies	2	7
Amortisation charge (note 8)	5,880	5,585
	5,882	5,592

NOTES TO THE FINANCIAL STATEMENTS

4 (Loss)/profit 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 £6,500 (2008 £3,800) The company has no employees and the directors received no remuneration in respect of their services to the company

5 Taxation credit/(charge)

	2009 £000	2008 £000
The credit/(charge) for the year ended 31 December 2009 comprises		
Group relief payable on current taxation profit for the year	(1,107)	(4,099)
Deferred taxation (Note 9)	1,646	1,565
Total taxation credit/(charge) for the year	539	(2,534)

Taxation on the company's loss for the year did not differ from the taxation credit/(charge) that would arise using the standard rate of corporation tax of 28% (2008 28 5%) The differences are explained below

	2009 £000	2008 £000
(Loss)/profit before taxation	(1,927)	8,796
Taxation credit/(charge) at the standard rate of corporation tax	539	(2,507)
Change in rates of corporation tax on deferred tax assets and liabilities	-	(27)
Total taxation credit/(charge) for the year	539	(2,534)

As a result of the Finance Act 2008, the corporation tax rate has changed from 30% to 28% with effect from 1 April 2008 The impact of this change on the financial accounts for the year ended 31 December 2008 is to recognise a one off adjustment to the deferred taxation liability reflecting the adjustment required to remeasure the deferred taxation liability at a lower rate of tax for the remaining life of the underlying assets

6 Amounts owed by group companies

	2009 £000	2008 £000
Cash at bank	3	1
Amounts due from parent undertakings	262,918	263,064
	262,921	263,065

For further details please refer to note 16

NOTES TO THE FINANCIAL STATEMENTS

7 Amounts owed to group companies

	2009 £000	2008 £000
Amounts due to fellow subsidiary undertakings	4,186	4,184
Group relief	1,107	4,099
	5,293	8,283

For further details please refer to note 16

8 Other borrowed funds

	2009 £000	2008 £000
Preference shares	111,724	105,844
	111,724	105,844

The company has issued zero coupon preference shares on 22 April 2002 The company received £218,670,000 for 218,670,000 preference shares with a nominal value of £1 each These preference shares are redeemable on 22 April 2022 at par value of £1 per share The preference shares are accounted for as a financial liability as they are redeemable at a predetermined future date and amount In line with accounting policies they have been valued at the date of issue at fair value and are subsequently measured using the effective interest rate method to accrete the book value to the redemption amount at the redemption rate

9 Deferred taxation

	2009 £000	2008 £000
At beginning of the year	31,591	33,156
Deferred taxation charge for the year	(1,646)	(1,593)
Change in future rates of corporate tax	-	28
At end of the year	29,945	31,591

The deferred taxation charge in the income statement comprises the following differences

	2009 £000	2008 £000
Temporary differences	(1,646)	(1,593)
Change in future rates of corporate tax	-	28
Total deferred taxation charge	(1,646)	(1,565)

Deferred taxation liabilities are comprised as follows

	2009 £000	2008 £000
Temporary differences	29,945	31,591

NOTES TO THE FINANCIAL STATEMENTS

10 Share capital

	2009 £	2008 £
Authorised		
1 'A' ordinary share of £0 50	1	1
5,999,999 ordinary shares of £0 50 each	2,999,999	2,999,999
	3,000,000	3,000,000
Allotted, issued and fully paid		
1 'A' ordinary share of £0 50	1	1
1,920,002 ordinary shares of £0 50 each	960,001	960,001
	960,002	960,002

The company's immediate parent company is Bank of Scotland plc 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

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

11 Share premium

	2009 £000	2008 £000
As at 1 January	854	854
As at 31 December	854	854

12 Capital contribution

	2009 £000	2008 £000
As at 1 January	101,500	101,500
As at 31 December	101,500	101,500

NOTES TO THE FINANCIAL STATEMENTS

13 Retained earnings

	2009 £000	2008 £000
At 1 January	14,033	7,771
(Loss)/profit for the year	(1,388)	6,262
At 31December	12,645	14,033

14 Risk management of financial instruments

The primary financial risks affecting the company are credit risk and 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", all financial assets are designated as held at amortised cost The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses are recognised

Credit risk management

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 the balance sheet carrying amount at 31 December 2009

Financial assets which are neither past due nor impaired	2009 £000	2008 £000
Amounts owed by group companies	262,921	263,065
Total credit risk exposure	262,921	263,065

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 The company has no credit risk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc (formerly Lloyds TSB Group plc) being a AA (2008 AAA) credit rated financial institution

At 31 December 2009 and 2008 there were no impairments relating to credit risk against any financial assets

NOTES TO THE FINANCIAL STATEMENTS

14 Risk management of financial instruments (continued)

Liquidity risk management

At 31 December 2009	Other liabilities £000	Total liabilities £000
On demand	1,107	1,107
Up to 1 month	-	-
1 – 3 months	-	-
3 – 12 months	4,186	4,186
1 – 5 years	-	-
Over 5 years	111,724	111,724
Total	117,017	117,017

At 31 December 2008	Other liabilities £000	Total liabilities £000
On demand	4,099	4,099
Up to 1 month	-	-
1 – 3 months	-	-
3 – 12 months	4,184	4,184
1 – 5 years	-	-
Over 5 years	105,844	105,844
Total	114,127	114,127

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

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 £657 and finance costs by £10

Currency risk

The company's transactions are all denominated in British Pounds as such the company has no exposure to foreign currency risk

NOTES TO THE FINANCIAL STATEMENTS

15 Notes to the cash flow statement

	2009 £000	2008 £000
(Loss)/profit from operations	(1,927)	8,796
Operating cash flows before movements in working capital	(1,927)	8,796
Amortisation	5,880	5,585
Cash generated by operations	3,953	14,381
Group relief paid	(4,099)	(8,038)
Net cash flow from operating activities	(146)	6,343

16 Related parties

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December 2009 were as follows

Nature of transaction	Related party	2009 £000	2008 £000
Due from group companies	Immediate parent undertaking	262,918	263,064
Due to group companies	Fellow subsidiary undertaking	(4,186)	(4,184)
Group relief	Immediate parent undertaking	(1,107)	(4,099)
Cash at bank	Immediate parent undertaking	3	1
Preference shares	Immediate parent undertaking	111,724	105,844

The company received interest of £3,955,000 (2008 £14,388,000) during to the year from group companies In addition, the company paid interest of £2,000 (2008 £7,000) during the year to group companies

The company paid group relief of £4,099,000 (2008 £8,038,000) during the year to Bank of Scotland plc

The company incurred a preference share amortisation charge of £5,880,000 (2008 £5,585,000) during the year

NOTES TO THE FINANCIAL STATEMENTS

17 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 *Financial Instruments Classification and Measurment*[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 January 2013
IAS24 *Related Party Disclosures*[1]	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 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