

Lloyds Project Leasing Limited

Annual report and financial statements for the year ended 31 March 2021

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

01280300

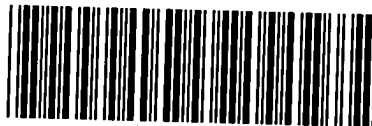
Current directors

C G Dowsett
G A Fox
J R Turner

Company Secretary

A E Mulholland

THURSDAY



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23/12/2021

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Member of Lloyds Banking Group

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Directors' report

For the year ended 31 March 2021

The Directors present their Annual report and audited financial statements of Lloyds Project Leasing Limited (the "Company") for the year ended 31 March 2021.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act"). The Directors' report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 01280300).

Review of Business

During the year, the principal activity of the Company was the leasing of assets through finance lease transactions. Going forward, the Company ceased to trade when its remaining finance lease transaction ended in April 2021, at which point its principal activity will change to be the management of financial assets and liabilities.

The results of the Company show a profit before taxation of £14,000 (2020: £11,000) for the year as set out in the Income Statement on page 4.

The Company has shareholders' equity of £6,880,000 (2020: £5,432,000).

The Company is funded entirely by other companies within Lloyds Banking Group ("the Group").

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.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 19 to the financial statements.

The global pandemic from the outbreak of COVID-19 is causing widespread disruption to financial markets and normal patterns of business activity across the world, including in the UK. Measures taken to contain the health impacts of the COVID-19 pandemic are resulting in adverse impacts on economic activity across the world, and the duration for which such measures will remain in place is uncertain. The impact on the economy is currently highly uncertain in both its depth and length, and may go beyond current forecasts of scale of loss of output and recession in the UK and globally.

However, the economic impact of the COVID-19 pandemic is not expected to have a material impact on the going concern of the Company.

Future outlook

The Company no longer writes new business and is non trading since April 2021 following the exit of its remaining finance lease transaction. At this point it will be the intention of the Directors to initiate an orderly run down and place the Company into liquidation as soon as practicable.

Given that the Directors intend to liquidate the Company, the UK's exit from the EU is not expected to have a material impact on the Company.

Employees

The Company has no direct employees (2020: nil). All staff are employed by other group undertakings and no staff costs are recharged to the Company.

Dividends

No dividends were paid or proposed during the year ended 31 March 2021 (2020: £5,000,000 declared and paid).

Directors' report (continued)

For the year ended 31 March 2021

Directors

The current directors of the Company are shown on the front cover.

There have been no changes to directors between the beginning of the reporting year and the approval of the Annual report and financial statements.

No director had any interest in any material contract or arrangement with the Company during or at the end of the year.

Directors' indemnities

Lloyds Banking Group plc ("LBG") has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The Deed was in force during the whole of the financial year and at the date of approval of the financial statements. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Going Concern

The financial statements have been prepared on a basis other than going concern as the Directors intend to initiate an orderly run down and place the Company into liquidation as soon as practicable. There would be no difference to asset values between a going concern basis and a basis other than going concern under the historical cost convention.

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual report and 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 are required to prepare the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

For the year ended 31 March 2021

Statement of disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, 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 auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

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

Approved by the board of directors and signed on its behalf by:



C G Dowsett

Director

Date: 16 December 2021

Income statement

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Finance income	4	1,976	1,952
Finance costs	5	(1,945)	(1,976)
		31	(24)
Other operating income	6	-	35
Impairment charge	7	(17)	-
Profit before tax	8	14	11
Taxation	9	(6)	(5)
Profit after tax		8	6

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

Statement of comprehensive income

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Profit after tax		8	6
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges			
- effective portion of changes in fair value taken to other comprehensive income	17	(47)	(138)
- Income statements transfers	17	1,825	1,661
- tax	17	(338)	(223)
Other comprehensive income for the year, net of tax		1,440	1,300
Total comprehensive income for the year		1,448	1,306

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

Balance sheet

As at 31 March 2021

			* Re-presented	* Re-presented As at 1 April 2019
	Note	2021 £'000	2020 £'000	£'000
ASSETS				
Cash and cash equivalents *	10	6,322	8,321	13,173
Amounts due from group undertakings *		-	-	2
Finance lease receivables	11	23,045	23,101	23,122
Deferred tax asset	13	-	321	539
Total assets		29,367	31,743	36,836
LIABILITIES				
Amounts due to group undertakings *	14	20,621	22,750	22,688
Derivative financial liabilities *	15	1,866	3,561	5,022
Total liabilities		22,487	26,311	27,710
EQUITY				
Share capital	16	100	100	100
Other reserves	17	-	(1,440)	(2,740)
Retained earnings		6,780	6,772	11,766
Total equity		6,880	5,432	9,126
Total equity and liabilities		29,367	31,743	36,836

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

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

The financial statements were approved by the Board of directors and were signed on its behalf by:



C G Dowsett
Director
Date: 16 December 2021

Statement of changes in equity

For the year ended 31 March 2021

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019	100	(2,740)	11,766	9,126
Comprehensive income				
Profit for the year	-	-	6	6
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	1,300	-	1,300
Total comprehensive income	-	1,300	6	1,306
Transactions with owners				
Dividends	-	-	(5,000)	(5,000)
Total transactions with owners	-	-	(5,000)	(5,000)
At 31 March 2020	100	(1,440)	6,772	5,432
Comprehensive income				
Profit for the year	-	-	8	8
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	1,440	-	1,440
Total comprehensive income	-	1,440	8	1,448
At 31 March 2021	100	-	6,780	6,880

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

Cash flow statement

For the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Profit before tax		14	11
Adjustments for:			
- Movement in impairment allowance for finance leases		17	-
Operating cash flows before movements in working capital		31	11
Decrease in Finance lease receivables		39	21
(Decrease)/increase in Trade and other payables		(1,765)	197
Cash (used in)/generated from operations		(1,695)	229
Tax paid		(8)	-
Net cash (used in)/generated from operating activities		(1,703)	229
Cash flows used in financing activities			
Decrease in bank borrowings		(296)	(81)
Dividends paid		-	(5,000)
Net cash used in financing activities		(296)	(5,081)
Change in cash and cash equivalents		(1,999)	(4,852)
Cash and cash equivalents at beginning of year		8,321	13,173
Cash and cash equivalents at end of year		6,322	8,321
Cash and cash equivalents comprise			
Cash at bank	10	6,322	8,321
Total cash and cash equivalents		6,322	8,321

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

Notes to the financial statements

For the year ended 31 March 2021

1. Basis of preparation

These financial statements have been prepared in accordance with applicable IFRSs in conformity with the requirements of the Companies Act 2006. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

On adoption of IFRS 9 in 2018, the Group elected to continue applying hedge accounting under IAS 39.

In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

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

- (i) Interest Rate Benchmark Reform: The IASB's Phase 1 amendment in response to issues arising from the planned replacement of interest rate benchmarks in a number of jurisdictions are effective for annual periods beginning on or after 1 January 2020. The amendments confirm that entities applying hedge accounting can continue to assume that the interest rate benchmark on which hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of the uncertainties of the interest rate benchmark reform. Comparatives have not been restated.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 March 2021 and which have not been applied in preparing these financial statements are given in note 23. No standards have been early adopted.

The financial statements have been prepared on a basis other than going concern as the Directors intend to initiate an orderly run down and place the Company into liquidation as soon as practicable. There would be no difference to asset values between a going concern basis and a basis other than going concern under the historical cost convention.

2. Accounting policies

The Company's accounting policies are set out below. These accounting policies have been applied consistently.

2.1 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Income statement for all interest bearing financial instruments using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Lease classification

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.

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within finance lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income.

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Notes to the financial statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.1 Income recognition (continued)

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Income statement as it accrues, within finance costs.

2.2 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents, Amounts due from group undertakings and Finance lease receivables. Financial liabilities comprise Amounts due to group undertakings and Derivative liabilities.

On initial recognition, financial assets are measured at fair value. These are subsequently classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business models at a portfolio level based on its objectives for the relevant portfolio, how the performance of the portfolio is managed and reported, and the frequency of asset sales. The Company reclassifies financial assets when and only when its business model for managing those assets changes.

A reclassification will only take place when the change is significant to the Company's operations and will occur at a portfolio level and not for individual instruments; reclassifications are expected to be rare.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

2.3 Impairment of financial assets and lease receivables

Any impairment charge in the Income statement includes the change in expected credit losses. Expected credit losses are recognised for financial assets and finance lease receivables. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held, repayments, or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings together with qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. The use of internal credit ratings and qualitative indicators ensure alignment between the assessment of staging and the Group's management of credit risk which utilises these internal metrics within risk management practices. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop for all its products.

The Company has not adopted the simplified expected credit loss model for its lease receivables, as allowed by IFRS 9, paragraph 5.5.15. Instead, the general expected credit loss model has been applied to financial assets and lease receivables.

Notes to the financial statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.4 Derivative financial instruments and hedge accounting

IFRS 9 requires all derivative financial instruments to be recognised initially at fair value on the Balance sheet and to be re-measured to fair value at subsequent reporting dates. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated.

Changes in the fair value of all derivative instruments, other than those in effective cash flow, are recognised immediately in the income statement. As noted in (1) below, the change in fair value of a derivative in an effective cash flow is allocated between the income statement and other comprehensive income.

(1) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

2.5 Cash and cash equivalents

For the purposes of the Cash flow statement, Cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months.

2.6 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 pounds sterling, which is the Company's functional and presentation currency.

2.7 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the income statement (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs ("HMRC") or other tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Notes to the financial statements (continued)

For the year ended 31 March 2021

2. Accounting policies (continued)

2.7 Taxation, including deferred income taxes (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and 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 to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

2.8 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Dividends on ordinary shares are recognised as a reduction in equity in the period in which they are paid.

2.9 Other reserves

Other reserves comprise a cash flow hedging reserve representing the cumulative after tax gains and losses on effective cash flow hedging instruments that will be reclassified to the Income statement in the periods in which the hedged item affects profit or loss.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies 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.

In the course of preparing these financial statements, no critical judgements or estimates been made in the process of applying the Company's accounting policies.

4. Finance income

	2021 £'000	2020 £'000
Finance lease income	1,976	1,952
	1,976	1,952

Finance lease income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

5. Finance costs

	2021 £'000	2020 £'000
Interest payable on bank loans to other group companies	120	315
Interest payable on Derivative financial liabilities	1,825	1,661
	1,945	1,976

Notes to the financial statements (continued)

For the year ended 31 March 2021

6. Other operating income

	2021 £'000	2020 £'000
Other income receivable	-	35
		35

7. Impairment charge

	2021 £'000	2020 £'000
Impairment charge of finance lease receivables (see note 12)	(17)	-
	(17)	

8. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £4,725 (2020: £4,500) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company has no employees (2020: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

9. Taxation

	2021 £'000	2020 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	(23)	(10)
Current tax charge	(23)	(10)
UK deferred tax:		
- Origination and reversal of timing differences	17	8
- Impact of deferred tax rate change	-	(3)
Deferred tax credit (see note 13)	17	5
Tax charge	(6)	(5)

Corporation tax is calculated at a rate of 19.00% (2020: 19.00%) of the taxable profit for the year.

Notes to the financial statements (continued)

For the year ended 31 March 2021

9. Taxation (continued)

b) Factors affecting the tax charge for the year

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

	2021 £'000	2020 £'000
Profit before tax	14	11
Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	(3)	(2)
Factors affecting charge:		
- Due to change in UK corporation tax rate	-	(3)
- Disallowed items	(3)	-
Tax charge on profit on ordinary activities	(6)	(5)
Effective rate	42.90%	45.45%

10. Cash and cash equivalents

	2021 £'000	* Represented 2020 £'000
Cash at bank	6,322	8,321
	6,322	8,321

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

Cash at bank of £6,322,000 (2020: £8,321,000) is unsecured, non-interest bearing and repayable on demand. For further details, please refer to note 18.

11. Finance lease receivables

	2021 £'000	2020 £'000
Gross investment in finance leases	23,063	23,102
Allowance for losses	(18)	(1)
Net investment in finance leases	23,045	23,101

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 April 2020	23,102	-	-	23,102
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(39)	-	-	(39)
Gross investment in finance leases at 31 March 2021	23,063	-	-	23,063
Allowance for impairment losses	(18)	-	-	(18)
Net investment in finance leases at 31 March 2021	23,045	-	-	23,045

Notes to the financial statements (continued)

For the year ended 31 March 2021

11. Finance lease receivables (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 April 2019	23,123	-	-	23,123
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(21)	-	-	(21)
Gross investment in finance leases at 31 March 2020	23,102	-	-	23,102
Allowance for impairment losses	(1)	-	-	(1)
Net investment in finance leases at 31 March 2020	23,101	-	-	23,101

The gross investment in finance leases represents amounts recoverable as follows:

	2021 £'000	2020 £'000
Gross investment in finance leases, receivable:		
Not later than 1 year	23,050	2,014
Later than 1 year and not later than 2 years	-	23,083
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-

Unearned future finance income on finance leases	23,050 (5)	25,097 (1,996)
Net investment in finance leases	23,045	23,101

The net investment in finance leases represents amounts recoverable as follows:

	2021 £'000	2020 £'000
Net investment in finance leases, receivable:		
Not later than 1 year	23,045	24
Later than 1 year and not later than 2 years	-	23,077
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-

Net investment in finance leases	23,045	23,101
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The fair value of finance lease receivable 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. For further information, please refer to note 19.6.

Notes to the financial statements (continued)

For the year ended 31 March 2021

12. Allowance for impairment losses

Analysis of movement in the allowance for impairment losses by stage:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 March 2021				
<i>In respect of drawn balances</i>				
At 1 April 2020	(1)	-	-	(1)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Charge for the year	(17)	-	-	(17)
At 31 March 2021	(18)	-	-	(18)
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 March 2020				
<i>In respect of drawn balances</i>				
At 1 April 2019	(1)	-	-	(1)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Credit for the year	-	-	-	-
At 31 March 2020	(1)	-	-	(1)

13. Deferred tax asset

The movement in the deferred taxation is as follows:

	2021 £'000	2020 £'000
At 1 April	321	539
Deferred tax credit for the year	17	8
Impact of tax rate change on deferred tax credit for the year	-	(3)
Movement in other reserves (note 17)	(338)	(223)
At 31 March	-	321

The deferred tax credit in the Income Statement comprises the following temporary differences:

	2021 £'000	2020 £'000
Accelerated capital allowances	17	5
Deferred tax credit	17	5

Notes to the financial statements (continued)

For the year ended 31 March 2021

13. Deferred tax asset (continued)

Deferred taxation assets are comprised as follows:

	2021 £'000	2020 £'000
Cash flow hedges	-	338
Accelerated capital allowances	-	(17)
Total deferred taxation assets	-	321

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

The effect of this rate change on the Company's deferred tax balances has been assessed and is not significant.

14. Amounts due to group undertakings

	2021 £'000	* Represented 2020 £'000
Bank borrowings	20,590	20,886
Interest payable *	8	1,856
Taxation payable	23	8
	20,621	22,750

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

Bank borrowings of £20,590,000 (2020: £20,886,000) are unsecured, interest bearing and payable on maturity. For further details, please refer to note 18.

Interest payable of £1,874,000 (2020: £3,640,000) and Taxation payable of £23,000 (2020: £8,000) are unsecured, non-interest bearing and payable on demand. For further details, please refer to note 18.

15. Derivative financial liabilities

	Contract/ Notional amount 2021 £'000	Fair value liabilities 2021 £'000	Contract/ Notional amount 2020 £'000	Fair value liabilities * 2020 £'000
Hedging instruments				
Derivatives designated as cash flow hedges				
Interest rate swaps *	20,590	1,866	20,055	3,561

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

Details of the Company's hedging instruments are set out below:

At 31 March 2021	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000
Derivative financial liabilities					
Interest rate swaps					
Notional	20,590	-	-	-	-
Average fixed interest rate	8.940%	-	-	-	-

Notes to the financial statements (continued)

For the year ended 31 March 2021

15. Derivative financial liabilities (continued)

At 31 March 2020	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000
Derivative financial liabilities					
Interest rate swaps					
Notional	-	-	-	20,055	-
Average fixed interest rate	-	-	-	8.940%	-

The counterparty of the derivative instrument is Lloyds Bank plc (see note 18).

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness (YTD) £'000
	Notional amount £'000	Assets £'000	Liabilities £'000	
Cash flow hedges				
At 31 March 2021				
Interest rate swaps	20,590	-	1,866	(1,695)
At 31 March 2020				
Interest rate swaps	20,055	-	3,561	(1,461)

All amounts are held within derivative financial instruments (see note 19.7).

Details of the Company's hedged items are summarised as follows:

Cash flow hedges	Changes in fair value of hedged item for ineffectiveness assessment £'000	Cash flow hedge reserve £'000
At 31 March 2021		
Interest rate		
Included within Finance lease receivables	1,695	-
At 31 March 2020		
Interest rate		
Included within Finance lease receivables	1,461	(1,777)

The accumulated amount of cash flow value hedge adjustments remaining in the balance sheet for hedged items that have ceased to be adjusted for hedging gains and losses is £nil (2020: £nil).

The cash flow hedge reserve in the previous table is calculated on a pre-deferred tax basis.

Gains and losses arising from hedge accounting are summarised as follows:

		Amounts reclassified from reserves		
Cash flow hedges	Gain (loss) recognised in other comprehensive income £'000	Income statement line item that includes reclassified amount	Hedge ineffectiveness recognised in the income statement £'000	Hedged item affected Income Statement £'000
At 31 March 2021				
Interest rate				
Included within Finance lease receivables	1,695	Interest expense	-	1,825
At 31 March 2020				
Interest rate				
Included within Finance lease receivables	1,461	Interest expense	-	1,661

Notes to the financial statements (continued)

For the year ended 31 March 2021

16. Share capital

	2021 £'000	2020 £'000
Allotted, issued and fully paid		
100,000 (2020: 100,000) ordinary shares of £1 each	100	100

The Company's objectives when managing capital are to safeguard the Company's ability to run down the Company in an orderly manner, 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 parent can also request the Company to pay dividends or make a capital contribution in order to maintain or adjust the Group's capital structure.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity.

17. Other reserves

Other reserves relates to gains and losses recognised on cash flow hedges

	2021 £'000	2020 £'000
At 1 April	(1,440)	(2,740)
Change in fair value of cash flow hedges	(47)	(138)
Income statement transfers	1,825	1,661
Deferred taxation thereon (note 13)	(338)	(223)
At 31 March	-	(1,440)

There was no recognised ineffectiveness during 2021 or 2020 in relation to cash flow hedges that need to be recorded in Income statement.

18. Related party transactions

The Company's immediate parent company is Lloyds Bank Leasing Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking 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 financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent company of the smallest such group of undertakings. Copies of the group financial statements may be downloaded via www.lloydsbankinggroup.com.

The Company's related parties include other companies in the 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, who are listed on the cover of these financial statements.

A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

				2021 £'000	2020 £'000
Cash and cash equivalents					
Nature of transaction	Related party	Repayment	Interest		
Cash at bank	Lloyds Bank plc	No fixed date	N/A	6,322	8,321
Total Cash and cash equivalents (note 10)				6,322	8,321

Notes to the financial statements (continued)

For the year ended 31 March 2021

18. Related party transactions (continued)

Amounts due to group undertakings

Nature of transaction	Related party	Repayment	Interest		
Bank borrowings	Lloyds Bank plc	01/04/2021 - 01/04/2020	0.03% - 1.06%	20,590	20,886
Interest payable *	Lloyds Bank plc	No fixed date	N/A	8	1,856
Taxation payable	Bank of Scotland plc	No fixed date	N/A	23	8
Total Amounts due to group undertakings (note 14)				20,621	22,750

Derivative liabilities

Nature of transaction	Related party	Repayment	Interest		
Derivative financial liabilities * (see note 15)	Lloyds Bank plc	01/04/2021	8.940%	1,866	3,561

Finance costs

	Related party		
Interest payable on bank loans to other group companies	Lloyds Bank plc	120	315
Interest payable on Derivative financial liabilities	Lloyds Bank plc	1,825	1,661

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

There were no credit losses or bad debt expenses relating to the above balances incurred during the year.

Bank borrowings are interest bearing and during the year rates of interest of between 0.03% and 0.57% (2020: 0.76% and 1.06%) were charged. Borrowings that have matured subsequent to the year end have been rolled forward to continue funding as required by the Company.

The Company paid taxation of £8,000 (2020: £nil) during the year to a fellow subsidiary undertaking.

The registered offices of related parties are noted below:

Related party	Related party relationship	Registered address
Lloyds Bank plc	Intermediate parent company	25 Gresham Street, London, EC2V 7HN
Bank of Scotland plc	Fellow group company	The Mound, Edinburgh, EH1 1YZ

19. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and foreign exchange risk. Responsibility for the control of overall risk lies with the Board of directors, operating within a management framework established by Lloyds Banking Group, and the ultimate parent, Lloyds Banking Group plc.

19.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with finance leases is managed through the application of strict underwriting criteria, determined by the Group's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in note 2.3.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Notes to the financial statements (continued)

For the year ended 31 March 2021

19. Financial risk management

19.1 Credit risk (continued)

Maximum credit exposure

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

	2021 £'000	2020 £'000
Cash and cash equivalents	6,322	8,321
Finance lease receivables	23,063	23,102
	29,385	31,423

The credit risk associated with Cash and cash equivalents is not considered significant as held with other companies within the Group.

Credit quality of finance lease receivables

The analysis of lending has been prepared based on the division in which the asset is held; with the business segment in which the exposure is recorded reflected in the ratings system applied. All probabilities of default (PDs) include forward-looking information and are based on 12 month values, with the exception of credit impaired.

At 31 March 2021

PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
0.00-0.50%	23,063	-	-	23,063
0.51-3.00%	-	-	-	-
3.01-20.00%	-	-	-	-
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	23,063	-	-	23,063

At 31 March 2020

PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
0.00-0.50%	23,102	-	-	23,102
0.51-3.00%	-	-	-	-
3.01-20.00%	-	-	-	-
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	23,102	-	-	23,102

Notes to the financial statements (continued)

For the year ended 31 March 2021

19. Financial risk management (continued)

19.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made.

The liquidity profile of financial liabilities at the year end was as follows:

As at 31 March 2021

	On demand	< 1 month	1-3 months	3-12 months	> 1 year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Bank borrowings	-	20,590	-	-	-	20,590
Interest payable	6	2	-	-	-	8
Derivative financial instruments	-	1,866	-	-	-	1,866
Taxation payables	23	-	-	-	-	23
	29	22,458	-	-	-	22,487

As at 31 March 2020

	On demand	< 1 month	1-3 months	3-12 months	> 1 year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Bank borrowings	-	20,886	-	-	-	20,886
Interest payable *	1,808	48	-	-	-	1,856
Derivative financial instruments *	-	-	-	-	3,561	3,561
Taxation payables	8	-	-	-	-	8
	1,816	20,934	-	-	3,561	26,311

* The comparatives have been re-presented to reflect the change in presentation explained in note 20.

19.3 Market risk

Market risk is the risk of financial loss from changes in market prices of financial assets and liabilities, typically from changes and volatility in interest rates (interest rate risk (see note 19.4)) and foreign exchange rates (foreign currency risk (see note 19.5)).

19.4 Interest rate risk

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.

Notes to the financial statements (continued)

For the year ended 31 March 2021

19. Financial risk management (continued)

19.4 Interest rate risk (continued)

Interest rate benchmark reform

For the purposes of determining whether:

- a forecast transaction is highly probable;
- hedged future cash flows are expected to occur;
- a hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk; and
- an accounting hedging relationship should be discontinued because of a failure of the retrospective effectiveness test;

The Company assumes that the interest rate benchmark on which the hedged risk or the cash flows of the hedged item or hedging instrument are based is not altered by uncertainties resulting from interest rate benchmark reform. In addition, for a cash flow hedge of a non-contractually specified benchmark portion of interest rate risk, the Company assesses only at inception of the hedge relationship and not on an ongoing basis that the risk is separately identifiable and hedge effectiveness can be measured.

The Company's most significant hedge accounting relationships are exposed to Sterling LIBOR. The notional value of hedged items that the Company has designated into cash flow hedge relationships that are directly affected by the interest rate benchmark reform are £20,590,000 and relates to finance lease receivables.

At 31 March 2021, the notional amount of the hedging instruments in hedging relationships to which these amendments apply was £20,590,000, relating to Sterling LIBOR cash flow hedges.

Lloyds Banking Group plc is managing the process to transition to alternative benchmark rates under the Lloyds Banking Group-wide IBOR Transition Programme ('The Programme'). The Programme has developed an implementation plan for new products and a transition plan for legacy products. The Programme also encompasses the associated impacts on systems, processes, accounting and reporting and includes dealing with the impact of hedge accounting relationships of the transition to alternative reference sets.

19.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company's transactions are all denominated in pounds sterling and as such the company has no exposure to foreign currency risk.

19.6 Fair values of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is a measure as at a specific date and may be significantly different from the amount which will actually be paid or received on maturity or settlement date.

Valuation of financial assets and liabilities

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1 portfolios

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 predominantly comprise equity shares, treasury bills and government securities.

Level 2 portfolios

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Notes to the financial statements (continued)

For the year ended 31 March 2021

19. Financial risk management (continued)

19.6 Fair values of financial assets and liabilities (continued)

Valuation of financial assets and liabilities (continued)

Level 3 portfolios

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

Financial assets and liabilities carried at fair value

The tables below provide an analysis of the financial assets and liabilities of the Company that are carried at fair value in the Company's Balance sheet, grouped into Levels 1 to 3 based on the degree to which the inputs to fair value are observable.

At 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial liabilities				
- interest rate swaps (note 19.7)	-	1,866	-	1,866
Total derivative financial instruments	-	1,866	-	1,866

As at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial liabilities				
- interest rate swaps (note 19.7)	-	3,561	-	3,561
Total derivative financial instruments	-	3,561	-	3,561

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using interest rate yield curves which are developed from publicly quoted rates. The fair value of current liabilities approximates their carrying values.

Financial assets and liabilities carried at amortised cost

Cash and cash equivalents, Amounts due from group undertakings, Finance lease receivables and Amounts due to group undertakings are all held at amortised cost.

The fair value of the Company's finance lease receivables is considered to be level 2 in the valuation hierarchy as the fair value 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.

The fair value of the Company's finance lease receivables at 31 March 2021 is estimated at £23,067,000 (2020: £24,836,000).

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value of all other financial assets and liabilities, due to their short term nature.

19.7 Derivative financial instruments

The principal derivatives used by the Company are interest rate swaps to hedge against fluctuations in interest rates. An interest rate swap is an agreement between two parties to exchange fixed and floating rate payments, based upon interest rates defined in the contract.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and variable rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the borrowings utilised to fund existing finance lease agreements.

Notes to the financial statements (continued)

For the year ended 31 March 2021

19. Financial risk management (continued)

19.7 Derivative financial instruments (continued)

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Hedge ineffectiveness for interest rate swaps may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched and differences in critical terms between the interest rate swaps and loans.

There was no recognised ineffectiveness during 2021 or 2020 in relation to interest rate swaps.

20. Re-presentation of comparatives

The Company has carried out an exercise to reclassify various balance sheet line items to align its presentation with the Group. Cash and cash equivalents and Derivative liabilities are both held by other companies within the Group. Previously, these were reported in Amounts due from group undertakings and Amounts due to group undertakings respectively. These are now reported separately on the Balance sheet in line with the requirements of IAS 1. Accordingly the comparatives for the prior year and prior year opening position have been re-presented to align with this change in presentation. A summary of these reclassifications are detailed in the table below:

	Restated £'000	Adjustment £'000	Previously reported £'000
Balance sheet as at 1 April 2019			
ASSETS			
Cash and cash equivalents	13,173	13,173	-
Amounts due from group undertakings	2	(13,173)	13,175
Total assets	13,175	-	13,175
LIABILITIES			
Amounts due to group undertakings	22,688	(5,022)	27,710
Derivative financial liabilities	5,022	5,022	-
Total liabilities	27,710	-	27,710
Balance sheet as at 31 March 2020			
ASSETS			
Cash and cash equivalents	8,321	8,321	-
Amounts due from group undertakings	-	(8,321)	8,321
Total assets	8,321	-	8,321
LIABILITIES			
Amounts due to group undertakings	22,750	(3,561)	26,311
Derivative financial liabilities	3,561	3,561	-
Total liabilities	26,311	-	26,311

These reclassifications have had £nil impact on the Company's profit or loss, £nil impact on the Company's cash position and £nil impact to the Company's Net asset position.

21. Post balance sheet events

Subsequent to the year end the remaining lease terminated on 1 April 2021 and sold with realised proceeds of £21,000,000.

Notes to the financial statements (continued)

For the year ended 31 March 2021

22. Contingent liability

The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. The Group's interpretation of the UK rules has not changed and hence it has appealed to the First-Tier Tax Tribunal, with a hearing expected in early 2022. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the company of approximately £1,275,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

23. Future developments

The following pronouncement is not applicable for the year ending 31 March 2021 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at 31 March 2021 these pronouncements have been endorsed for use in the United Kingdom.

Interest Rate Benchmark Reform

The IASB's Phase 2 amendments in response to issues arising from the replacement of interest rate benchmarks in a number of jurisdictions are effective for annual periods beginning on or after 1 January 2021.

Under these amendments, an immediate gain or loss is not recognised in the Income Statement where the contractual cash flows of a financial asset or financial liability are amended as a direct consequence of the rate reform and the revised contractual terms are economically equivalent to the previous terms, in addition, hedge accounting is continued for relationships that are directly affected by the reform.

These amendments are not expected to have a significant impact on the Company.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). These amendments are not expected to have a significant impact on the Company.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PROJECT LEASING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Lloyds Project Leasing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 20 February 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter- Financial statement prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PROJECT LEASING LIMITED

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS PROJECT LEASING LIMITED

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception

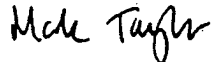
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Taylor FCA
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
Date: 17 December 2021