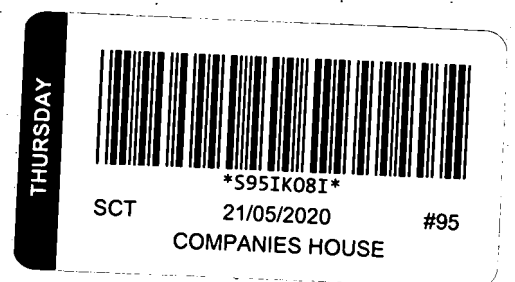


LLOYDS INVESTMENT SECURITIES NO. 5 LIMITED

Annual report and financial statements for the year ended 31 December 2019

Member of Lloyds Banking Group

Registered Number: 02930810



LLOYDS INVESTMENT SECURITIES NO.5 LIMITED

DIRECTORS

C G Dowsett
J R Turner
K Turner

COMPANY SECRETARY

Lloyds Secretaries Limited

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

BANKERS

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

02930810

DIRECTORS' REPORT

The Directors present their report and audited financial statements of Lloyds Investment Securities No.5 Limited ("the Company") for the year ended 31 December 2019.

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

REVIEW OF BUSINESS

The Company is a private company limited by shares incorporated and domiciled in England and Wales, United Kingdom (registered number: 02930810).

During the year, the principal activity of the Company was the management of financial assets and liabilities.

The results of the Company show a result before taxation of £nil (2018: £nil) for the year as set out in the Statement of comprehensive income on page 6.

The Company has shareholders' equity of £94,000 (2018: £6,194,000).

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

DIVIDENDS

The Company paid a dividend of £6,100,000 (2018: £nil) during the year to its immediate parent company.

DIRECTORS

The names of the Directors of the Company who were in office during the year and up to the date of the signing of financial statements are shown on page 1. The following change in directors has taken place during the year:

J R Turner	Appointed 31 Oct 2019
------------	--------------------------

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

GOING CONCERN

The financial statements have been prepared on a going concern basis. There is a net asset position of £94,000 (2018: £6,194,000) and a net current asset position of £84,000 (2017: £4,616,000 net liability position).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers Lloyds Bank plc, and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual report and financial statements.

STATEMENTS OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, 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 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. 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In accordance with Section 418 of the Act, in the case of each director in office at the date the Directors' report is approved:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

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

DIRECTORS' REPORT (CONTINUED)**DIRECTORS' INDEMNITIES**

Lloyds Banking Group plc has granted to the Directors of the Company, a deed of indemnity through deed poll which constituted '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. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. 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.

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 further details please refer to note 12 'Risk management of financial instruments' in these financial statements.

In the context of operational resilience, the Company is assessing the risks associated with the current global health issue Covid-19 and continues to analyse the impacts. However, it is difficult at this stage to quantify risks and the degree to which they might crystallise. In addition, Covid-19 could have an adverse impact across risks including our operational risk, funding and liquidity.

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.

On behalf of the board.



C G Dowsett
Director

29 April 2020

Independent auditors' report to the members of LLOYDS INVESTMENT SECURITIES NO. 5 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, LLOYDS INVESTMENT SECURITIES NO. 5 LIMITED's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its results and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of 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, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Independent auditors' report to the members of LLOYDS INVESTMENT SECURITIES NO. 5 LIMITED (continued)

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

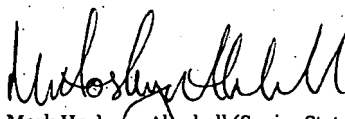
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
29 April 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Investment income	4	<u>10,800</u>	-
		10,800	-
Impairment of investments	7	<u>(10,800)</u>	-
Result before taxation	5	-	-
Taxation	6	<u>-</u>	<u>-</u>
Result after taxation and total comprehensive income for the year		<u><u>-</u></u>	<u><u>-</u></u>

The accompanying notes on pages 10 to 15 are an integral part of the financial statements.

BALANCE SHEET
As at 31 December 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Investment in subsidiary undertakings	7	<u>10</u>	<u>10,810</u>
Total non-current assets		<u>10</u>	<u>10,810</u>
Current assets			
Amounts due from group companies	8	<u>84</u>	<u>-</u>
Total current assets		<u>84</u>	<u>-</u>
Total assets		<u><u>94</u></u>	<u><u>10,810</u></u>
Liabilities			
Current liabilities			
Amounts owed to group companies	9	<u>-</u>	<u>4,616</u>
Total current liabilities		<u>-</u>	<u>4,616</u>
Equity			
Share capital	11	<u>10</u>	<u>10</u>
Retained earnings		<u>84</u>	<u>6,184</u>
Total equity		<u>94</u>	<u>6,194</u>
Total liabilities and equity		<u><u>94</u></u>	<u><u>10,810</u></u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 29 April 2020 and signed on its behalf by:



C G Dowsett
Director

Registered Number: 02930810

The accompanying notes on pages 10 to 15 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2017		10	6,184	6,194
Total comprehensive income for the year		-	-	-
Result for the year		-	-	-
Balance at 31 December 2018		10	6,184	6,194
Total comprehensive income for the year		-	-	-
Result for the year		-	-	-
Transactions with owners				
Dividend paid to equity shareholders	10	-	(6,100)	(6,100)
Balance at 31 December 2019	11	<u>10</u>	<u>84</u>	<u>94</u>

The accompanying notes on pages 10 to 15 are an integral part of the financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Result before taxation		-	-
Add non cash items:			
Impairment charge		10,800	-
Cash flow generated from operations		10,800	-
Cash flow used in financing activities			
Dividend paid		(6,100)	-
Net cash flow used in financing activities		(6,100)	-
Change in cash and cash equivalents		4,700	-
Cash and cash equivalents at beginning of the year		(4,616)	(4,616)
Cash and cash equivalents at end of the year		<u>84</u>	<u>(4,616)</u>
Cash and cash equivalents are comprised of:			
Cash at bank	8	84	-
Bank overdraft	9	-	(4,616)
		<u>84</u>	<u>(4,616)</u>

The accompanying notes on pages 10 to 15 are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention. 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.

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

- i. IFRS 16 'Leases' replaces IAS 17 Leases and addresses the classification and measurement of all leases. The Company's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17; however for lessee accounting there is no longer a distinction between finance and operating leases. For all assets the lessee recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis.

The impact of this pronouncement has been assessed by the Company with the view there would be no impact on the financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2019 and which have not been applied in preparing these financial statements are given in note 14. No standards have been adopted early.

The financial statements have been prepared on a going concern basis. There is a net asset position of £94,000 (2018: £6,194,000) and a net current asset position of £84,000 (2017: £4,616,000 net liability position).

The Company is also covered by the letter of support from the Group dated 19 February 2020 that covers Lloyds Bank plc, and all its subsidiaries, which confirms that any additional liabilities will be borne by the ultimate parent company if required.

As a result, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Annual report and financial statements.

2 Accounting policies**2(a) Financial assets and liabilities**

Financial assets comprise of Amounts due from group undertakings. In the current year the Company has no financial liabilities.

On initial recognition, financial assets and liabilities are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Group 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 Group reclassifies financial assets and liabilities 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 Group'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 Group 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 Group 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(b) Impairment

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) 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, allowance (or provision) 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 are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

2(c) Taxation

Tax expense comprises current and deferred tax. Current tax is charged or credited in the Statement of comprehensive income 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Accounting policies (continued)**2(c) Taxation (continued)**

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 another 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.

2(d) Dividends

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

2(e) 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 and bank overdrafts. Bank overdrafts are shown within amounts owed to group companies within current liabilities on the Balance sheet.

2(f) 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.

3 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In the course of preparing these financial statements, there are no critical judgements nor have any critical accounting estimates been made in the process of applying the Company's accounting policies.

4 Investment income

	2019 £000	2018 £000
Dividends received from subsidiary undertaking	10,800	-
	<u>10,800</u>	<u>-</u>

5 Result before taxation

Fees payable to the Company's auditors for the audit of the financial statements of £4,500 (2018: £4,500) have been borne by the ultimate parent company and are not recharged to the Company.

The Company has no employees (2018: 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.

6 Taxation

	2019 £000	2018 £000
The taxation charge for the year comprises:		
Current tax payable on result for the year	-	-
Total taxation charge for the year	<u>-</u>	<u>-</u>

Where taxation on the Company's profit for the year is the same as the taxation credit that would arise using the standard rate of corporation tax of 19.00% (2018: 19.00%), the differences are explained below:

NOTES TO THE FINANCIAL STATEMENTS

6 Taxation (continued)

	2019 £000	2018 £000
Result before taxation	-	-
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	-	-
Disallowed items	(2,052)	-
Non-taxable items	2,052	-
Total taxation charge	-	-

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

7 Investment in subsidiary undertakings

	2019 £000	2018 £000
At beginning of the year	10,810	10,810
Impairment	(10,800)	-
At end of the year	10	10,810

The principal subsidiary undertakings of the Company all of which are registered in England and Wales, are:

<u>Company name</u>	<u>Ownership & Voting (%)</u>	<u>Accounting reference date</u>	<u>Nature of business</u>
St Mary's Court Investments	100	31 October 2019	Holding Company
Caveminster Limited	100	28 October 2019	Cash Management

Caveminster Limited is a wholly owned subsidiary of St Mary's Court Investments.

Unquoted equity investments represent the Company's investment in unlisted entities, being a 100% interest in St Mary's Court Investments. During the current year St Mary's Court Investments, which is a dormant company no longer trading, paid up a dividend of £10,800,000 to Lloyds Investment Securities No.5 Limited. St Mary's Court Investments' assets stand at £10,000 and liabilities of £nil after payment of this dividend. This has resulted in an impairment charge in the current year.

The results of the subsidiary undertakings are consolidated in the Group financial statements for Lloyds Banking Group plc which has a financial year end of 31 December 2019.

The financial statements contain information about Lloyds Investment Securities No.5 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Lloyds Banking Group plc.

8 Amounts due from group companies

	2019 £000	2018 £000
Cash at bank	84	-
	84	-

For further details please refer to note 13.

9 Amounts owed to group companies

	2019 £000	2018 £000
Bank overdraft	-	4,616
	-	4,616

For further details please refer to note 13.

NOTES TO THE FINANCIAL STATEMENTS

10 Dividends

	2019 £000	2018 £000
Dividends paid	6,100	-
	<u>6,100</u>	<u>-</u>

On 24th December, the Company paid a dividend of £610 per share totalling £6,100,000 (2018:£nil).

11 Share capital

	2019 £	2018 £
Allotted, issued and fully paid 10,000 ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

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 shareholder's equity.

12 Risk management of financial instruments

The Company's operations expose it to credit risk, liquidity risk, market risk and interest rate risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by Lloyds Banking Group, and the ultimate parent, Lloyds Banking Group plc.

Credit risk**Credit risk management**

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 and trade receivables is managed through the application of strict underwriting criteria, determined by the Groups 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(b).

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.

There is no credit risk exposure to the Company in the current or prior periods.

Financial assets subject to credit risk

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:

	2019 £	2018 £
Amounts due from group companies	84	-
	<u>84</u>	<u>-</u>

The credit risk associated with amounts owed by group undertakings is not considered to be significant.

NOTES TO THE FINANCIAL STATEMENTS

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

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

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

At 31 December 2019	Bank overdraft £000	Total Liabilities £000
On demand	-	-
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
Total	-	-
At 31 December 2018	Bank Overdraft £000	Total Liabilities £000
On demand	4,616	4,616
Up to 1 month	-	-
1-3 months	-	-
3-12 months	-	-
1-5 years	-	-
Over 5 years	-	-
Total	4,616	4,616

The fair value of current liabilities approximates their carrying values.

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 has no exposure to variable rate financial assets and liabilities.

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 as such the Company has no exposure to foreign currency risk.

13 Related parties

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 page 1 of these financial statements.

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

Nature of transaction	Related party	Related party relationship	2019 £000	2018 £000	Terms and conditions Repayment	Interest
Cash at bank	Lloyds Bank plc	Intermediate parent undertaking	84	-	No fixed date	N/A
Bank overdraft	Lloyds Bank plc	Intermediate parent undertaking	-	(4,616)	No fixed date	N/A

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

The Company received a dividend of £10,800,000 (£2018: £nil) from a subsidiary undertaking.

NOTES TO THE FINANCIAL STATEMENTS

13 Related parties (continued)

The registered offices of related parties are noted below:

Related partyRegistered address

Lloyds Bank plc

25 Gresham Street, London, EC2V 7HN

14 Future developments

The following pronouncement is not applicable for the year ending 31 December 2019 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 Group and reliable estimates cannot be made at this stage.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IAS 1 Presentation of Financial Statements). These amendments are not expected to have a significant impact on the Company.

15 Events since the Balance sheet date

Since the Balance sheet date there has been a global pandemic from the outbreak of Covid-19 which is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to have no impact on the financial position of the Company.