

Lloyds Bank Maritime Leasing (No. 10) Limited

**Annual report and financial statements
for the year ended 31 December 2021**

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

04440166

Current directors

C G Dowsett
C Loring

Company Secretary

A E Mulholland

COMPANIES HOUSE

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Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2021

The Directors present their Annual report and audited financial statements of Lloyds Bank Maritime Leasing (No. 10) Limited (the "Company") for the year ended 31 December 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: 04440166).

Principal activity

During the year, the principal activity of the Company was the leasing of assets through finance lease transactions, and this is likely to continue for the foreseeable future.

Company performance

The results of the Company show a profit after taxation of £348,000 (2020: £382,000) for the year as set out in the Income statement on page 3.

The Company has shareholders' equity of £4,927,000 (2020: £4,409,000).

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 24 to the financial statements.

The global pandemic from the outbreak of COVID-19 continues to cause 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 remains 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.

The Company has not been directly impacted by COVID-19 but the directors continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

The Company is part of the wider Lloyds Banking Group, and, at that level, following the United Kingdom's ("UK") vote to leave the European Union ("EU") and the UK's subsequent exit from the EU on the 31 December 2020, consideration of many of the potential implications has been undertaken. Work continues to assess the impact of the EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

The Company has not been significantly impacted by the UK's exit from the EU, but the directors will continue to monitor for further developments. However, at this stage they do not anticipate any material issues for the Company.

Future outlook

The Company continues to write new business and manage the existing portfolio to obtain the best outcome for both the customer and 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 December 2021 (2020: £nil).

Directors' report (continued)

For the year ended 31 December 2021

Directors

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

The following changes have taken place between the beginning of the reporting year and the approval of the Annual report and financial statements:

C Loring (appointed 13 July 2021)
K Softly (resigned 13 July 2021)

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 or from the date of appointment in respect of the Director who joined the board of the Company during the financial year. 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 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 Company has a net asset position at the year end. The Directors have considered this, along with the expected activities of the Company for the foreseeable future, and have reached the conclusion that the Company will be able to meet its future obligations as they fall due and the financial statements have been prepared on a going concern basis.

The Directors are also satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future.

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 United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("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.

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
15 September 2022

Income statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Finance income	4	321	553
Finance costs	5	(129)	(260)
Net operating income		192	293
Other income	6	6	113
Administrative expenses	7	(6)	(5)
Foreign exchange (loss)/gain		(24)	21
Impairment credit	8	262	49
Profit before tax	9	430	471
Taxation	10	(82)	(89)
Profit after tax		348	382

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

Statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit after tax		348	382
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	22	126	(163)
- Income statements transfers	22	82	71
- tax	22	(38)	20
Other comprehensive income for the year, net of tax		170	(72)
Total comprehensive income for the year		518	310

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

Balance sheet

As at 31 December 2021

			* Re-presented	* Re-presented
		2021	2020	As at
		£'000	£'000	1 January
				2020
				£'000
ASSETS				
Cash and cash equivalents *	11	5,572	3,256	6,342
Amounts due from group undertakings		-	-	91
Finance lease receivables	12	5,300	15,186	21,735
Trade and other receivables	14	7	-	436
Deferred tax asset	15	9	47	27
Total assets		10,888	18,489	28,631
LIABILITIES				
Bank overdraft *	16	290	63	30
Bank borrowings *	17	5,264	7,780	14,120
Amounts due to group undertakings *	18	88	95	1,142
Derivative financial liabilities *	19	24	231	139
Trade and other payables	20	295	5,911	9,101
Total liabilities		5,961	14,080	24,532
EQUITY				
Share capital	21	-	-	-
Other reserve	22	(17)	(187)	(115)
Retained earnings		4,944	4,596	4,214
Total equity		4,927	4,409	4,099
Total equity and liabilities		10,888	18,489	28,631

* The comparatives have been re-presented to reflect the accounting correction and changes in presentation as explained in note 25.

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
15 September 2022

Statement of changes in equity

For the year ended 31 December 2021

	Note	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		-	(115)	4,214	4,099
Comprehensive income					
Profit for the year		-	-	382	382
Other comprehensive income					
Movements in cash flow hedging reserve, net of tax	22	-	(72)	-	(72)
Total comprehensive income		-	(72)	382	310
At 31 December 2020		-	(187)	4,596	4,409
Comprehensive income					
Profit for the year		-	-	348	348
Other comprehensive income					
Movements in cash flow hedging reserve, net of tax	22	-	170	-	170
Total comprehensive income		-	170	348	518
At 31 December 2021		-	(17)	4,944	4,927

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

Cash flow statement

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Profit before tax		430	471
Adjustments for:			
- Foreign exchange loss/(gain)		24	(21)
- Movement in impairment allowance for finance leases	13	(262)	(49)
Operating cash flows before movements in working capital		192	401
Decrease in Amounts due from group undertakings		-	91
Decrease in Finance lease receivables	12	10,148	6,616
(Increase)/decrease in Trade and other receivables	14	(7)	436
Decrease in Amounts due to group undertakings	18	-	(994)
Decrease in Trade and other payables	20	(5,616)	(3,190)
Cash generated from operations		4,717	3,360
Tax paid	18	(89)	(141)
Net cash generated from operating activities		4,628	3,219
Cash flows used in financing activities			
Decrease in Bank borrowings	17	(2,516)	(6,338)
Net cash used in financing activities		(2,516)	(6,338)
Exchange movements on cash and cash equivalents		(23)	-
Change in Cash and cash equivalents		2,089	(3,119)
Cash and cash equivalents at beginning of year		3,193	6,312
Cash and cash equivalents at end of year		5,282	3,193
Cash and cash equivalents comprise			
Cash at bank	11	5,572	3,256
Bank overdraft	16	(290)	(63)
Total cash and cash equivalents		5,282	3,193

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

Notes to the financial statements

For the year ended 31 December 2021

1. Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with IFRSs as issued by the IASB. IFRSs comprise accounting standards prefixed IFRS issued by the 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.

The financial information has been prepared under the historical cost convention, as modified for derivative contracts held at fair value through other comprehensive income. As stated below, the directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

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

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

- (i) Interest Rate Benchmark Reform - Phase 2 amendments as issued by the IASB. These amendments require that changes to expected future cash flows, that both arise as a direct result of IBOR Reform and are economically equivalent to the previous cash flows, are accounted for as a change to the effective interest rate with no adjustment to the impacted asset's or liability's carry value. No immediate gain or loss is recognised. The new requirements also provide relief from the requirements to discontinue hedge accounting as a result of amending hedge documentation if the changes are required solely as a result of the IBOR Reform. These amendments do not have a material impact of the Company's comparatives, which have not been restated.
- (ii) 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).

The application of these pronouncements has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 27. No standards have been early adopted.

The Company has a net asset position at the year end. The Directors have considered this, along with the expected activities of the Company for the foreseeable future, and have reached the conclusion that the Company will be able to meet its future obligations as they fall due and the financial statements have been prepared on a going concern basis.

The Directors are also satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

2.1 Income recognition (continued)

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.

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, Finance lease receivables and Trade and other receivables. Financial liabilities comprise Bank overdraft, Bank borrowings, Amounts due to group undertakings, Derivative financial liabilities and Trade and other payables.

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 measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit and loss on initial recognition which are held at fair value.

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

2.3 Impairment of financial assets and lease receivables

The 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Impairment of financial assets and lease receivables (continued)

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.

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, already 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 December 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 liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

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.

In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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 accounting judgements nor estimates have been made in the process of applying the company's accounting policies.

4. Finance income

	2021 £'000	2020 £'000
Finance lease income	321	553

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	16	68
Interest payable on derivatives	82	71
Other interest payable	31	121
	129	260

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Other income

	2021 £'000	2020 £'000
Gain on sale of finance lease assets	6	73
Other operating income	-	40
	6	113

7. Administrative expenses

	2021 £'000	2020 £'000
Professional fees and other related expenses	6	5

8. Impairment credit

	2021 £'000	2020 £'000
Impairment credit of finance lease receivables (see note 13)	262	49

9. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £7,875 (2020: £7,500) 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.

10. Taxation

	2021 £'000	2020 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	(82)	(89)
Current tax charge	(82)	(89)
Tax charge	(82)	(89)

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 December 2021

10. 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	430	471
Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	(82)	(89)
Tax charge on profit on ordinary activities	(82)	(89)
Effective rate	(19.07%)	18.90%

11. Cash and cash equivalents

	2021 £'000	* Re-presented 2020 £'000
Cash at bank	5,572	3,256

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

Cash at bank of £5,572,000 (2020: £3,256,000) is unsecured, non interest bearing and repayable on demand. For further details, please refer to note 23.

12. Finance lease receivables

	2021 £'000	2020 £'000
Gross investment in finance leases	5,306	15,454
Allowance for losses	(6)	(268)
Net investment in finance leases	5,300	15,186

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2021	11,603	3,851	-	15,454
Transfers to Stage 1	943	(943)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(9,063)	(1,085)	-	(10,148)
Gross investment in finance leases at 31 December 2021	3,483	1,823	-	5,306
Allowance for impairment losses	(2)	(4)	-	(6)
Net Investment in finance leases at 31 December 2021	3,481	1,819	-	5,300

Notes to the financial statements (continued)

For the year ended 31 December 2021

12. Finance lease receivables (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2020	18,792	3,260	-	22,052
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(3,288)	3,288	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(3,901)	(2,697)	-	(6,598)
Gross investment in finance leases at 31 December 2020	11,603	3,851	-	15,454
Allowance for impairment losses	(41)	(227)	-	(268)
Net investment in finance leases at 31 December 2020	11,562	3,624	-	15,186
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	1,845	9,362		
Later than 1 year and not later than 2 years	1,272	2,685		
Later than 2 years and not later than 3 years	982	1,255		
Later than 3 years and not later than 4 years	510	982		
Later than 4 years and not later than 5 years	1,088	510		
Later than 5 years	-	1,088		
Unearned future finance income on finance leases	5,697 (397)	15,882 (696)		
Net investment in finance leases	5,300	15,186		
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	1,713	9,078		
Later than 1 year and not later than 2 years	1,153	2,521		
Later than 2 years and not later than 3 years	912	1,153		
Later than 3 years and not later than 4 years	465	894		
Later than 4 years and not later than 5 years	1,057	465		
Later than 5 years	-	1,075		
Net investment in finance leases	5,300	15,186		

Notes to the financial statements (continued)

For the year ended 31 December 2021

13. 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 December 2021				
<i>In respect of drawn balances</i>				
At 1 January 2021	(41)	(227)	-	(268)
Transfers to Stage 1	(22)	22	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfer between stages	22	-	-	22
Other items credited to the Income statement	39	201	-	240
Additions/(repayments) during the year	-	-	-	-
Credit for the year	39	223	-	262
At 31 December 2021	(2)	(4)	-	(6)
Year ended 31 December 2020				
<i>In respect of drawn balances</i>				
At 1 January 2020	(33)	(284)	-	(317)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	10	(10)	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfer between stages	-	(172)	-	(172)
(Additions)/repayments during the year	(18)	239	-	221
Credit for the year	(8)	57	-	49
At 31 December 2020	(41)	(227)	-	(268)

14. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	7	-

15. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2021 £'000	2020 £'000
At 1 January	47	27
Movement in other reserves (note 22)	(39)	17
Impact of tax rate change on deferred tax on cash flow hedges (note 22)	1	3
At 31 December	9	47

Notes to the financial statements (continued)

For the year ended 31 December 2021

15. Deferred tax asset (continued)

The Deferred tax asset is comprised as follows:

	2021 £'000	2020 £'000
Cash flow hedges	9	47
Total Deferred tax asset	9	47

Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by 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.

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.

16. Bank overdraft

	2021 £'000	* Re-presented 2020 £'000
Bank overdraft	290	63

* The comparatives have been re-presented to reflect the accounting correction and changes in presentation as explained in note 25.

Bank overdrafts of £290,000 (2020: £63,000) are unsecured, non-interest bearing and payable on demand. For further details, please refer to note 23.

17. Borrowed funds

	2021 £'000	* Re-presented 2020 £'000
Bank borrowings	5,264	7,780

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

Bank borrowings of £5,264,000 (2020: £7,780,000) are unsecured, interest bearing and payable on maturity. For further details, please refer to note 23.

18. Amounts due to group undertakings

	2021 £'000	* Re-presented 2020 £'000
Amounts due to fellow group undertakings	6	6
Taxation payable	82	89
	88	95

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

All balances within Amounts due to group undertakings of £88,000 (2020: £95,000) are unsecured, non-interest bearing and payable on demand. For further details, please refer to note 23.

Notes to the financial statements (continued)

For the year ended 31 December 2021

19. Derivative financial instruments

	Contract/ Notional amount 2021 £'000	Fair value liabilities 2021 £'000	Contract/ Notional amount 2020 £'000	* Re-presented Fair value liabilities 2020 £'000
Hedging Instruments				
Derivatives designated as cash flow hedges				
Interest rate swaps	5,302	24	9,369	231

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

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

At 31 December 2021	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000
Derivatives designated as cash flow hedges					
Interest rate swaps					
Notional	-	-	443	4,859	-
Average fixed interest rate	-	-	0.90%	1.16%	-
At 31 December 2020	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000
Derivatives designated as cash flow hedges					
Interest rate swaps					
Notional	-	1,096	205	5,489	2,599
Average fixed interest rate	-	-0.03%	1.16%	0.96%	1.31%

The counterparty of the derivative instrument is Lloyds Bank plc (see note 23).

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness (YTD) £'000
Cash flow hedges	Notional amount £'000	Asset £'000	*Re-presented Liabilities £'000	
At 31 December 2021				
Interest rate swaps	5,302	-	24	(207)
At 31 December 2020				
Interest rate swaps	9,369	-	231	92

* The comparatives have been re-presented to reflect the accounting correction and changes in presentation as explained in note 25.

All amounts are held within derivative financial instruments (see note 24.7).

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 December 2021		
Interest rate swaps		
Included within Finance lease receivables	207	(24)

Notes to the financial statements (continued)

For the year ended 31 December 2021

19. Derivative financial instruments (continued)

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

At 31 December 2020

Interest rate swaps		
Included within Finance lease receivables	(92)	(231)

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:

Cash flow hedges	Gain (loss) recognised in other comprehensive income £'000	Amounts reclassified from reserves			Hedged item affected Income statement £'000
		Income statement line item that includes reclassified amount	Hedge ineffectiveness recognised in the Income statement £'000		
At 31 December 2021					
Interest rate swaps					
Included within Finance lease receivables	207	Interest expense	-		82
At 31 December 2020					
Interest rate swaps					
Included within Finance lease receivables	(92)	Interest expense	-		71

20. Trade and other payables

	2021 £'000	2020 £'000
Other payables	295	5,911

21. Share capital

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

The Company's objectives when managing capital are to safeguard the Company'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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

22. Other reserves

	2021 £'000	2020 £'000
At 1 January	(187)	(115)
Change in fair value of cash flow hedges	126	(163)
Income statement transfers	82	71
Deferred taxation thereon (note 15)	(39)	17
Impact of tax rate change (note 15)	1	3
At 31 December	(17)	(187)

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

There was no ineffectiveness to be recorded in the Income Statement from cash flow hedges.

23. 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 financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc 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	* Re-presented 2020 £'000
Cash and cash equivalents					
Nature of transaction	Related party	Repayment	Interest		
Cash at bank	Lloyds Bank plc	On demand	N/A	5,572	3,256
Total Cash and cash equivalents (note 11)				5,572	3,256
Bank overdraft					
Nature of transaction	Related party	Repayment	Interest		
Bank overdraft	Lloyds Bank plc	On demand	N/A	290	63
Total Bank overdraft (note 16)				290	63
Borrowed funds					
Nature of transaction	Related party	Repayment	Interest		
Bank borrowings	Lloyds Bank plc	08/01/2021- 18/12/2026	-0.55% - 0.19%	5,264	7,780
Total Borrowed funds (note 17)				5,264	7,780

Notes to the financial statements (continued)

For the year ended 31 December 2021

23. Related party transactions (continued)

				2021 £'000	* Re-presented 2020 £'000
Amounts due to group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Amounts due to fellow group undertakings	Lloyds Bank Corporate Asset Finance (No. 3) Limited	On demand	N/A	6	6
Taxation payable	Bank of Scotland plc	On demand	N/A	82	89
Total Amounts due to group undertakings (note 18)				88	95
Derivative financial instruments					
Nature of transaction	Related party	Repayment	Interest	2021 £'000	* Re-presented 2020 £'000
Derivatives financial liabilities	Lloyds Bank plc	09/03/2021-18/12/2026	-0.03% - 1.59%	24	231
Total Derivative financial instruments (note 19)				24	231
Finance costs					
Nature of transaction	Related party			2021 £'000	2020 £'000
Interest payable on bank loans to other group companies	Lloyds Bank plc			16	68
Interest payable on derivatives	Lloyds Bank plc			82	71

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

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

Bank borrowings are interest bearing and during the year rates of interest of between -0.55% and 0.19% (2020: 0.02% and 0.95%) were charged. Borrowings that have matured subsequent to the year end have been rolled forward to continue funding as required by the Company.

Swaps are interest bearing and during the year rates of interest between -0.03% and 1.59% (2020: 0.66% and 1.58%) were charged.

The Company paid taxation of £89,000 (2020: £141,000) 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 Leasing Limited	Immediate parent company	25 Gresham Street, London, EC2V 7HN
Lloyds Bank plc	Intermediate parent company	25 Gresham Street, London, EC2V 7HN
Lloyds Banking Group plc	Ultimate parent company	The Mound, Edinburgh, EH1 1YZ
Bank of Scotland plc	Fellow group undertaking	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank Corporate Asset Finance (No. 3) Limited	Fellow group undertaking	25 Gresham Street, London, EC2V 7HN

24. 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.

24.1 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 expected credit losses to be incurred at the Balance sheet date, using the basis of assessment discussed in note 2.3.

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.1 Credit risk (continued)

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.

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	* Re-presented 2020 £'000
Cash and cash equivalents *	5,572	3,256
Finance lease receivables	5,306	15,454
Trade and other receivables	7	-
	10,885	18,710

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

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 December 2021

PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
0.00-0.50%	3,483	-	-	3,483
0.51-3.00%	-	602	-	602
3.01-20.00%	-	1,221	-	1,221
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	3,483	1,823	-	5,306

At 31 December 2020

PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
0.00-0.50%	9,795	-	-	9,795
0.51-3.00%	1,662	943	-	2,605
3.01-20.00%	146	2,908	-	3,054
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	11,603	3,851	-	15,454

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.2 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. Whilst the funding could be called for repayment on demand, it is the expectation by both the Company and the Group that this funding will be in place as required to fund the Company's business for the life of those leases.

The liquidity tables below reflect the undiscounted contractual cash payments that are expected to be paid by the Company until the earliest expected maturity of each financial liability:

As at 31 December 2021

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank overdraft	290	-	-	-	-	290
Bank borrowings	-	135	301	1,282	3,546	5,264
Interest payable on borrowings	-	1	2	6	13	22
Amounts due to fellow group undertakings	6	-	-	-	-	6
Taxation payable	82	-	-	-	-	82
Derivative financial liabilities *	-	4	8	32	77	121
Trade and other payables	-	-	295	-	-	295
	378	140	606	1,320	3,636	6,080

As at 31 December 2020

Bank overdraft	63	-	-	-	-	63
Bank borrowings	-	2,990	4,790	-	-	7,780
Interest payable on borrowings	-	-	-	-	-	-
Amounts due to fellow group undertakings	6	-	-	-	-	6
Taxation payable	89	-	-	-	-	89
Derivative financial liabilities *	-	-	1	-	230	231
Trade and other payables	-	-	2,143	3,768	-	5,911
	158	2,990	6,934	3,768	230	14,080

* The comparatives have been re-presented to reflect the accounting correction and changes in presentation as explained in note 25.

24.3 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 24.4)), prices (inflation risk) and foreign exchange rates (foreign currency risk (see note 24.5)).

The Directors believe that the Company's exposure to market risk through inflation is carefully managed. The Company has put in place derivative financial instruments to hedge against this risk, further details which can be found in note 24.7).

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.4 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. Interest rate risk is hedged using interest rate swaps.

Interest rate benchmark reform

During 2021, Lloyds Banking Group has continued to manage its process to alternative benchmark rates under its Group-wide IBOR Transition Programme and has delivered the core changes to its technology and business processes. Through this programme, Lloyds Banking Group has ensured that the most appropriate benchmark rate is used for new product, has transitioned substantially all of its legacy products to new benchmark rates and has managed the impacts and risk relating to systems, processes, accounting and reporting. The Company, which is part of the Lloyds Banking Group, does not expect material changes to its risk management approach and strategy as a result of interest rate benchmark reform.

At 31 December 2021, Lloyds Banking Group has successfully transitioned all of its derivative products settled through the London Clearing House ("LCH") that were dependent on Sterling LIBOR to alternative benchmark rates, including those of the Company which have transitioned to SONIA ("Sterling Overnight Index Average").

In respect of the Company's hedge accounting relationships impacted by this transition, 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 has ascertained 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 the transition and that no de-designation of the original hedging relationships is required with any immaterial ineffectiveness resulting from the transition to be amortised over the remaining life of the new hedging relationships.

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.

24.5 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.

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies.

At the year end, if the currency had fluctuated by +/- 25 basis points against the EUR, with all other variables held constant, post tax profit would have changed by £1,000 (2020: £1,000) primarily due to assets denominated in EUR.

At the year end, if the currency had fluctuated by +/- 25 basis points against the CHF, with all other variables held constant, post tax profit would have changed by £1,000 (2020: £nil) primarily due to liabilities denominated in CHF.

24.6 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.6 Fair values of financial assets and liabilities (continued)

Valuation of financial assets and liabilities (continued)

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.

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 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial liabilities (note 24.7)	-	24	-	24
Total derivative financial instruments	-	24	-	24

As at 31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial liabilities * (note 24.7)	-	231	-	231
Total derivative financial instruments *	-	231	-	231

* The comparatives have been re-presented to reflect the changes in presentation as explained in note 25.

The fair value of the interest rate swap at the reporting date is determined by using valuation techniques commonly used by market participants to price these instruments. These techniques included discounted cash flow analysis and other pricing models. The fair values calculated from these models are regularly compared with prices obtained in actual market transactions to ensure reliability. In all instances models use only observable market data.

Financial assets and liabilities carried at amortised cost

Cash and cash equivalents, Finance lease receivables, Trade and other receivables, Bank overdraft, Bank borrowings, Amounts due to group undertakings and Trade and other payables 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 December 2021 is estimated at £5,245,000 (2020: £15,500,000).

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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

24. Financial risk management (continued)

24.7 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.

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 the interest rate swaps.

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.

25. Restatement of comparatives

The comparative information reported has been restated, as summarised in the table below:

	Previously reported	Change in presentation	Re-presented
	£'000	£'000	£'000
Balance sheet			
As at 1 January 2020			
ASSETS			
Cash and cash equivalents	-	6,342	6,342
Amounts due from group undertakings	6,433	(6,342)	91
LIABILITIES			
Bank overdraft	-	30	30
Borrowed funds	-	14,120	14,120
Amounts due to group undertakings	15,431	(14,289)	1,142
Derivative financial liabilities	-	139	139
Balance sheet			
As at 31 December 2020			
ASSETS			
Cash and cash equivalents	-	3,256	3,256
Amounts due from group undertakings	3,256	(3,256)	-
LIABILITIES			
Bank overdraft	-	63	63
Bank borrowings	-	7,780	7,780
Amounts due to group undertakings	8,169	(8,074)	95
Derivative financial liabilities	-	231	231

Change in presentation

The Company has carried out an exercise to re-present Cash and cash equivalents, Bank overdraft, Borrowed funds and Derivative financial liabilities on the face of the Balance sheet to align its presentation with the Group. Cash and cash equivalents, Derivative financial instruments and Borrowed funds are all held with other companies within the Group. Previously, these were reported in Amounts due from group undertakings or Amounts due to group undertakings. 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

26. 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 2023. 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 £328,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

27. Future developments

The following pronouncement is not applicable for the year ending 31 December 2021 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of this accounting change 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 December 2021 this pronouncement has been endorsed for use in the United Kingdom.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

This amendment is not expected to have a significant impact on the Company.

Independent auditor's report to the members of Lloyds Bank Maritime Leasing (No. 10) Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Lloyds Bank Maritime Leasing (No. 10) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the income statement
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 27.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibility, 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud
(continued)**

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of its 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.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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.



Paul Cowley CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
15 September 2022