Lloyds Bank Maritime Leasing (No. 10) Limited

Annual report and financial statements for the year ended 31 December 2022

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

04440166

Current directors

C G Dowsett
C Loring

Company Secretary

A E Mulholland

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2022

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 2022.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

General information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registed in England and Wales (registered number: 04440166).

The Company is a wholly owned subsidiary of Lloyds Bank Leasing Limited and part of Lloyds Banking Group ("the Group").

Principal activity

The principal activity of the Company continues to be the provision of fixed asset finance usually involving individually structured facilities.

Company performance

The results of the Company show a profit after taxation of £82,000 (2021: £348,000) for the year as set out in the Income statement on page 3.

The Company has shareholders' equity of £1,021,000 (2021: £4,927,000).

The Company is funded entirely by other companies within the Group.

Key performance indicators ("KPI"s)

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 policies are contained within note 25 of the financial statements.

Other significant uncertainties are discussed in detail below.

Long term impact of the United Kingdom's exit from the European Union

Uncertainties in respect of the medium to long-term implications of the United Kingdom's ("UK") exit from the European Union ("EU") on trade, regulation and employment continue to present risks. This includes impacts on supply chains, affordability of goods and services and UK demographics and prosperity. The Directors believe that there will be limited impact on the Company.

Covid-19

The global pandemic created from the outbreak of Covid-19 continues to cause widespread disruption to global 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 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 Directors believe that there will be limited impact on the Company.

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This has created significant adverse economic effects on financial markets and on energy costs, and has resulted in increased cyber attacks and an increase in costs associated with such cyber attacks, all of which could have a materially adverse effect on the Group's results of operations, financial condition or prospects. The Group will monitor the situation and risks to the business. The Directors believe that there will be limited impact on the Company.

Future outlook

The Company will continue to service the needs of its existing customers through the extension of asset finance and the writing of new business to obtain the best outcome for both the customer and the Company.

Dividends

A dividend of £4,155,000, representing a dividend of £41,550 per share, was declared and paid during the year (2021: £nil).

Directors' report (continued)
For the year ended 31 December 2022

Directors

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

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

No Director had any interest in any material contract or arrangement with the Company during or after the year end.

Directors' indemnities

Lloyds Banking Group plc ("LBG") has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements. The Deed for existing Directors is available for inspection at the registered office of LBG. 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 Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the note 1 to the financial statements.

Events after the reporting date

There are no material events after the reporting date that requiring disclosure in these financial statements.

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 financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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

Pursuant to section 487(2) of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be re-appointed for the next financial year.

Deloitte LLP have expressed their willingness to continue in office and therefore will be deemed to be re-appointed.

Approved by the Board and signed on its behalf by

C G Dowsett
Director
31.05.2023

Income statement

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Finance income	4	**203**	321
Finance costs	5	**(73)**	(129)
Net operating income		**130**	192
Other operating income	6	**15**	6
Administration expenses	7	**(18)**	(6)
Foreign exchange gain/(loss)		**2**	(24)
Impairment (charge)/credit	8	**(28)**	262
Profit before taxation	9	**101**	430
Taxation	10	**(19)**	(82)
Profit after taxation		**82**	348

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

Statement of comprehensive income
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Profit after taxation		**82**	348
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	**230**	126
- Income statements transfers	22	**(7)**	82
- tax	22	**(56)**	(38)
Other comprehensive income for the year, net of tax		**167**	170
Total comprehensive income for the year		**249**	518

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

Balance sheet
As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Cash and cash equivalents	11	**898**	5,572
Derivative financial assets	12	**202**	-
Finance lease receivables	13	**3,611**	5,300
Trade and other receivables	14	**-**	7
Deferred tax asset	19	**-**	9
Total assets		**4,711**	10,888
LIABILITIES			
Bank overdraft	15	**-**	290
Borrowed funds	16	**3,539**	5,264
Amounts due to group undertakings	17	**20**	88
Derivative financial liabilities	12	**-**	24
Trade and other payables	18	**84**	295
Deferred tax liability	19	**47**	-
Total liabilities		**3,690**	5,961
EQUITY			
Share capital	21	**-**	-
Other reserves	22	**150**	(17)
Retained earnings		**871**	4,944
Total equity		**1,021**	4,927
Total equity and liabilities		**4,711**	10,888

The Balance sheet has been arranged in order of liquidity.

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

C G Dowsett
Director
31.05.2023

Statement of changes in equity

For the year ended 31 December 2022

	Note	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		-	(187)	4,596	4,409
Comprehensive income					
Profit of the year		-	-	348	348
Other comprehensive income					
Movement in cash flow hedging reserve, net of tax	22	-	170	-	170
Total comprehensive income		-	170	348	518
Balance at 31 December 2021		-	(17)	4,944	4,927
Comprehensive income					
Profit of the year		-	-	**82**	**82**
Other comprehensive income					
Movement in cash flow hedging reserve, net of tax	22	-	**167**	-	**167**
Total comprehensive income		-	**167**	**82**	**249**
Transactions with owners					
Dividends paid to shareholders	20	-	-	**(4,155)**	**(4,155)**
Total transactions with owners		-	-	**(4,155)**	**(4,155)**
Balance at 31 December 2022		-	**150**	**871**	**1,021**

Total comprehensive income for the year was wholly attributable to the owners of the Company.

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

Cash flow statement

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Profit before taxation		**101**	430
Adjustments for:			
- Movement in impairment allowance for Finance lease receivables	13	**28**	(262)
- Foreign exchange		**(2)**	24
Operating cashflows before movement in working capital		**127**	192
Decrease/(increase) in Trade and other receivables	14	**7**	(7)
Decrease in Finance lease receivables	13	**1,661**	10,148
Decrease in Amounts due to group undertakings	17	**(5)**	-
Decrease in Trade and other payables	18	**(211)**	(5,616)
Cash generated from operations		**1,579**	4,717
Tax paid	17	**(82)**	(89)
Net cash generated from operating activities		**1,497**	4,628
Financing activities			
Decrease in Bank borrowings	16	**(1,725)**	(2,516)
Dividends paid to shareholders	20	**(4,155)**	-
Net cash used in financing activities		**(5,880)**	(2,516)
Exchange movements on Cash and cash equivalents		**(1)**	(23)
Net (decrease)/increase in Cash and cash equivalents		**(4,384)**	2,089
Cash and cash equivalents at beginning of year		**5,282**	3,193
Cash and cash equivalents at end of year	11	**898**	5,282
Cash and cash equivalents comprise			
Cash at bank	11	**898**	5,572
Bank overdraft	16	**-**	(290)
Cash and cash equivalents	11	**898**	5,282

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

Notes to the financial statements
For the year ended 31 December 2022

1 Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

On adoption of IFRS 9 in 2018, the Group elected to continue to apply 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.

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

No new IFRS pronouncements which have been adopted resulted in a material impact within these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2022 and which have not been applied in preparing these financial statements are given in note 28. 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.

2 Accounting policies

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

2.1 Income and expense 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.

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.

Income in relation to leases in their secondary period is recognised in the period in which it arises.

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues, within finance costs.

2.2 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.

Finance 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.

Operating leases

Operating lease assets are included within Property, plant and equipment at cost and depreciated over their estimated useful lives, which equates to the lives of the leases, after taking into account anticipated residual values.

2 Accounting policies (continued)

2.3 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents, Derivative financial assets, Finance lease receivables and Trade and other receivables. Financial liabilities comprise Bank overdraft, Borrowed funds, 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.

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.

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

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

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

2.4 Impairment of financial assets (including Finance lease receivables)

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

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

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

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

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

2.5 Cash and cash equivalents

Cash and cash equivalents comprise Cash at bank, Term deposits with an original maturity less than 3 months and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2 Accounting policies (continued)

2.6 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.

2.7 Taxation

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His 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.

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.

Notes to the financial statements
For the year ended 31 December 2022

2 Accounting policies (continued)

2.8 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.

Transactions in currencies other than the Company's functional currency are recorded at the average rate of exchange for the financial year. At the Balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the Balance sheet date. Translation differences are recorded within the Income statement as Foreign exchange gains/(losses).

2.9 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.

2.10 Dividends

Dividends on ordinary shares are recognised as a reduction in equity in the period in which they are paid.

2.11 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 the financial statements no critical estimates have been made in the process of applying the Company's accounting policies, other than those involving judgment which are separately disclosed below.

Lease classification

Judgement is required in the classification of a lease at inception and after any material amendment to assess whether substantially all the significant risk and rewards of ownership accrue to the lessor or the lessee.

4 Finance income

	2022	2021
	£'000	£'000
Finance lease income	**183**	321
Interest receivable on derivatives	**20**	-
	203	321

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

	2022	2021
	£'000	£'000
Interest payable on Bank borrowings	**60**	16
Interest payable on derivatives	**13**	82
Other interest payable	**-**	31
	73	129

Notes to the financial statements
For the year ended 31 December 2022

6 Other operating income

	2022 £'000	2021 £'000
Gain on sale of finance lease receivable assets	**15**	6

7 Administration expenses

	2022 £'000	2021 £'000
Professional fees and other related expenses	**18**	6

8 Impairment (charge)/credit

	2022 £'000	2021 £'000
Impairment (charge)/credit of Finance lease receivables (see note 13)	**(28)**	262

9 Profit before taxation

Fees payable to the Company's auditors for the audit of the financial statements of £8,300 (2021: £7,875) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company does not have any employees for either period. All personnel who perform services on behalf of the Company are employed and remunerated by other group companies and none of these costs are recharged to the Company.

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

	2022 £'000	2021 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	**(19)**	(82)
Current tax charge	**(19)**	(82)
Tax charge	**(19)**	(82)

Corporation tax is calculated at a rate of 19% (2021: 19%) of the taxable profit for the year.

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:

	2022 £'000	2021 £'000
Profit before taxation	**101**	430
Tax charge thereon at UK corporation tax rate of 19% (2021: 19%)	**(19)**	(82)
Tax charge on profit on ordinary activities	**(19)**	(82)
Effective rate	**19.00%**	19.07%

11 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank	**898**	5,572

Analysed as:	**£'000**	£'000
Due within one year	**898**	5,572

Cash at bank is non-interest bearing and unsecured (note 23).

12 Derivative financial instruments

Hedging instruments	**Contract/ Notional amount 2022 £'000**	**Fair value 2022 £'000**	Contract/ Notional amount 2021 £'000	Fair value 2021 £'000
Derivative asset - Interest rate swaps	**3,568**	**202**	-	-
Derivative liability - Interest rate swaps	**-**	**-**	5,302	24

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

Derivatives designated as cash flow hedges

At 31 December 2022	**Up to 1 month £'000**	**1-3 months £'000**	**3-12 months £'000**	**1-5 years £'000**	**Over 5 years £'000**
Interest rate swaps					
Notional	**16**	**2**	**215**	**3,335**	**-**
Average interest rate	**0.66%**	**1.20%**	**1.05%**	**1.22%**	**-**

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
Interest rate swaps					
Notional	-	-	443	4,859	-
Average interest rate	-	-	0.90%	1.16%	-

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

Cashflow hedges	**Carrying amount**			
At 31 December 2022	**Notional amount £'000**	**Assets £'000**	**Liabilities £'000**	**Changes in fair value used for calculating hedge ineffectiveness (YTD) £'000**
Interest rate swaps	**3,568**	**202**	**-**	**(226)**
At 31 December 2021				
Interest rate swaps	5,302	-	24	(207)

All amounts are held within derivative financial instruments (see note 25.7).

Notes to the financial statements
For the year ended 31 December 2022

12 Derivative financial instruments (continued)

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

Cashflow hedges	Changes in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve
At 31 December 2022	**£'000**	**£'000**
Interest rate swaps - included in Finance lease receivable	**226**	**199**
At 31 December 2021		
Interest rate swaps - included in Finance lease receivable	207	(24)

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 (2021: £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	Amounts reclassified from reserves: Income statement line item that includes reclassified amount	Hedge ineffectiveness recognised in the Income statement	Hedged item affected Income statement
At 31 December 2022	**£'000**	**amount**	**£'000**	**£'000**
Interest rate swaps - included in Finance lease receivable	**202**	Finance income	-	**20**
Interest rate swaps - included in Finance lease receivable	**24**	Finance costs	-	**(13)**
At 31 December 2021				
Interest rate swaps - included in Finance lease receivable	-	Finance income	-	-
Interest rate swaps - included in Finance lease receivable	207	Finance costs	-	(82)

13 Finance lease receivables

Amounts receivable under finance leases	2022 £'000	2021 £'000
Within 1 year	**1,324**	1,851
1 to 2 years	**982**	1,272
2 to 3 years	**510**	982
3 to 4 years	**1,087**	510
4 to 5 years	**-**	1,088
After 5 years	**-**	-
Undiscounted lease payments	**3,903**	5,703
Unearned income	**(258)**	(397)
Present value of lease payments	**3,645**	5,306
Impairment loss allowance	**(34)**	(6)
Net investment in finance leases	**3,611**	5,300

Notes to the financial statements
For the year ended 31 December 2022

13 Finance lease receivables (continued)

	2022	2021
	£'000	£'000
Net investment in finance leases analysed as:		
Due within one year	**1,154**	1,713
Due after more than one year	**2,457**	3,587
	3,611	5,300

The Company entered into no new finance lease agreements during the year (2021: none) and the remaining agreements have an average term of 1.3 years (2021: 1.8 years).

The average effective interest rate in relation to finance lease agreements approximates 3.51% (2021: 3.49%) per annum.

Unguaranteed residual values are estimated at £22,000 (2021: £144,000).

The Company is not aware of any material items that would affect the credit quality of its finance lease receivables which are neither past due or impaired. The Company has no financial lease receivables whose carrying value would be impaired or considered to be past due but for renegotiation of their terms.

Impairment of Finance lease receivables

The following table shows the movement in expected credit losses that has been recognised for Finance lease receivables:

Year ended 31 December 2022	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
In respect of drawn balances				
At 1 January 2022	**(2)**	**(4)**	-	**(6)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	**1**	**(1)**	-	-
Transfer to Stage 3	-	-	-	-
Impact of transfer between stages	-	**(8)**	-	**(8)**
Additions/Repayments/Changes in risk	**(4)**	**(16)**	-	**(20)**
Other items credited to Income statement	-	-	-	-
Charge for the year	**(3)**	**(25)**	-	**(28)**
At 31 December 2022	**(5)**	**(29)**	-	**(34)**

Year ended 31 December 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
In respect of drawn balances				
At 1 January 2021	(41)	(227)	-	(268)
Transfer to Stage 1	(22)	22	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Impact of transfer between stages	22	-	-	22
Additions/Repayments/Changes in risk	-	-	-	-
Other items credited to Income statement	39	201	-	240
Credit for the year	39	223	-	262
At 31 December 2021	(2)	(4)	-	(6)

Notes to the financial statements
For the year ended 31 December 2022

14 Trade and other receivables

	2022 £'000	2021 £'000
Other receivables	-	7
Analysed as:		
Due within one year	-	7

All balances within Trade and other receivables are non-interest bearing and unsecured.

15 Bank overdraft

	2022 £'000	2021 £'000
Bank overdraft	-	290
Analysed as:	£'000	£'000
Due within one year	-	290

Bank overdraft is interest bearing and unsecured (note 23).

16 Borrowed funds

	2022 £'000	2021 £'000
Bank borrowings	3,539	5,264
Analysed as:	£'000	£'000
Due within one year	1,107	1,718
Due after more than one year	2,432	3,546
	3,539	5,264

Bank borrowings are interest bearing and unsecured (note 23).

17 Amounts due to group undertakings

	2022 £'000	2021 £'000
Interest payable	1	-
Taxation payable	19	82
Amounts due to fellow group undertakings	-	6
	20	88
Analysed as:		
Due within one year	20	88

All balances within Amounts due to group undertakings are non-interest bearing and unsecured (note 23).

18 Trade and other payables

	2022 £'000	2021 £'000
Other payables	**84**	295

Analysed as:	£'000	£'000
Due within one year	**84**	295

All balances within Trade and other payables are non-interest bearing and unsecured.

19 Deferred tax (liability)/asset

The movement in the deferred tax (liability)/asset is as follows:

	2022 £'000	2021 £'000
At 1 January	**9**	47
Impact of tax rate change on deferred tax on cash flow hedges (note 22)	**(13)**	1
Movement in Other reserves (note 22)	**(43)**	(39)
At 31 December	**(47)**	9

The deferred tax (liability)/asset is comprised of:

	2022 £'000	2021 £'000
Cash flow hedges	**(47)**	9
Deferred tax (liability)/asset	**(47)**	9

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.

20 Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2022 of £41,550 (2021 £nil) per share	**(4,155)**	-

21 Share capital

	2022 £	2021 £
Authorised:		
100 ordinary shares of £1 each		
Issued and fully paid:		
At 1 January and 31 December 100 ordinary shares of £1 each	**100**	100

The Company has one class of ordinary shares which carry no right to fixed income.

22 Other reserves

	2022 £'000	2021 £'000
At 1 January	(17)	(187)
Change in fair value of cash flow hedge	230	126
Income statement transfers	(7)	82
Deferred taxation thereon (note 19)	(43)	(39)
Impact of tax rate change (note 19)	(13)	1
At 31 December	150	(17)

Other reserves relate 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 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.

Cash and cash equivalents			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Cash at bank (note 11)	Lloyds Bank plc	N/A	898	5,572

Derivative financial assets			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Derivative designated as cash flow hedges (note 12)	Lloyds Bank plc	0.66% - 2.08%	202	-

Bank overdraft			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Bank overdraft (note 15)	Lloyds Bank plc	N/A	-	290

Borrowed funds			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Bank borrowings (note 16)	Lloyds Bank plc	0.19 - 3.43%	3,539	5,264

Amounts due to group undertakings			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Interest payable	Lloyds Bank plc	N/A	1	-
Taxation payable	Bank of Scotland plc	N/A	19	82
Amounts due to fellow group undertakings	Lloyds Bank Corporate Asset Finance (No. 3) Limited	N/A	-	6
Amounts due to group undertakings (note 17)			20	88

Derivative financial liabilities			2022 £'000	2021 £'000
Nature of transaction	**Related party**	**Interest rate**		
Derivative designated as cash flow hedges (note 12)	Lloyds Bank plc	0.43% - 1.59%	-	24

Notes to the financial statements
For the year ended 31 December 2022

23 Related party transactions (continued)

Finance income		2022 £'000	2021 £'000
Nature of transaction	**Related party**		
Interest receivable on derivatives (note 5)	Lloyds Bank plc	20	-

Finance costs		2022 £'000	2021 £'000
Nature of transaction	**Related party**		
Interest payable on Bank borrowings	Lloyds Bank plc	60	16
Interest payable on derivatives	Lloyds Bank plc	13	82
Finance costs (note 5)		73	98

Dividends		2022 £'000	2021 £'000
Nature of transaction	**Related party**		
Dividends paid (note 20)	Lloyds Bank Leasing Limited	4,155	-

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

Interest receivable and payable on derivatives charged to the Income statement during the year were incurred at interest rates between 0.67% and 1.31% (2021: (0.03)% and 1.59%).

Interest payable on Bank borrowings charged to the Income statement during the year were incurred at interest rates between 0.19% and 3.43% (2021: (0.55)% and 0.19%).

The Company paid taxation of £82,000 (2021: £89,000) during the year to a fellow subsidiary undertaking.

The registered office of related parties are noted below:

Nature of transaction	Related party	Registered address
Lloyds Banking Group plc	Ultimate parent company	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank plc	Intermediate parent company	25 Gresham Street, London, EC2V 7HN
Lloyds Bank Leasing Limited	Immediate parent company	25 Gresham Street, London, EC2V 7HN
Bank of Scotland plc	Fellow group company	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank Corporate Asset Finance (No. 3) Limited	Fellow group company	25 Gresham Street, London, EC2V 7HN

24 Ultimate parent undertaking and controlling party

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/investors/financial-downloads.html.

25 Financial risk management

The Company's operations expose it to credit risk, liquidity risk and market risk (including: 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.

25.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The credit risk associated with the Company's external lending is managed through the application of strict underwriting criteria, determined by the Group's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in note 2.4.

25 Financial risk management (continued)

25.1 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.

	2022	2021
	£'000	£'000
Cash and cash equivalents	**898**	5,572
Finance lease receivables	**3,645**	5,306
Trade and other receivables	**-**	7
	4,543	10,885

Credit quality of amounts due from other group companies

The credit risk associated with Cash and cash equivalents is not considered significant as these are 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 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
PD range				
0.00-0.50%	**2,344**	**-**	**-**	**2,344**
0.51-3.00%	**-**	**1,301**	**-**	**1,301**
3.01-20.00%	**-**	**-**	**-**	**-**
20.01-99.99%	**-**	**-**	**-**	**-**
100%	**-**	**-**	**-**	**-**
	2,344	**1,301**	**-**	**3,645**

At 31 December 2021	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
PD range				
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

25 Financial risk management (continued)

25.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and Group credit facilities by continuously monitoring forecast and actual cash flows, and by matching maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest cash flows are at a floating rate, the undiscounted amount is derived from the interest rate curves at the reporting date.

At 31 December 2022

	On demand £'000	**< 1 month £'000**	**1-3 months £'000**	**3-12 months £'000**	**> 1 year £'000**	**Total £'000**
Bank overdraft	-	-	-	-	-	-
Bank borrowings	-	**98**	**192**	**817**	**2,432**	**3,539**
Interest payable on borrowings	-	**10**	**18**	**73**	**138**	**239**
Amounts due to group undertakings	-	-	-	-	-	-
Taxation payable	**19**	-	-	-	-	**19**
Other payables	-	-	**84**	-	-	**84**
	19	**108**	**294**	**890**	**2,570**	**3,881**

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 group undertakings	6	-	-	-	-	6
Taxation payable	82	-	-	-	-	82
Other payables	-	-	295	-	-	295
	378	136	598	1,288	3,559	5,959

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. When the amounts payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

At 31 December 2022

	< 1 month £'000	**1-3 months £'000**	**3-12 months £'000**	**> 1 year £'000**	**Total £'000**
Net settled (derivative assets)					
- Interest rate swaps	-	-	-	-	-

At 31 December 2021

	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Net settled (derivative liabilities)					
- Interest rate swaps	4	8	32	77	121

25.3 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 (note 25.4) and foreign exchange rates (note 25.5).

25 Financial risk management (continued)

25.4 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 due to interest rate swaps set up to mitigate the risk.

25.5 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 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 an immaterial amount (2021: £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 an immaterial amount (2021: £1,000) primarily due to assets denominated in CHF.

25.6 Fair values of financial assets and liabilities

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

Valuation of financial assets and liabilities

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

Level 1 portfolios

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

Level 2 portfolios

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

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 2022

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial assets (note 12)	-	202	-	202
Derivative financial liabilities (note 12)	-	-	-	-
	-	202	-	202

Notes to the financial statements
For the year ended 31 December 2022

25 Financial risk management (continued)

25.6 Fair values of financial assets and liabilities (continued)

Financial assets and liabilities carried at fair value (continued)

At 31 December 2021

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial assets (note 12)	-	-	-	-
Derivative financial liabilities (note 12)	-	24	-	24
	-	24	-	24

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, Bank overdraft, Borrowed funds, 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 2022 is estimated at £3,852,000 (2021: £5,245,000).

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.

25.7 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 2022 or 2021 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.

25.8 Capital management

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
For the year ended 31 December 2022

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 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 £342,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

27 Post balance sheet events

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

28 Future developments

The following pronouncement is not applicable for the year ending 31 December 2022 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 2022 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 2023 and in later years (including IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors).

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 2022 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 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

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.

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

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' responsibilities, 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.

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

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

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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 including relevant internal specialists such as valuations 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.

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

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 have 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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
31 May 2023