

Barents Leasing Limited

Annual report and accounts
for the year ended 31 March 2018

Registered office

25 Gresham Street
London
EC2V 7HN

**COMPANIES HOUSE
EDINBURGH**

Registered number

04440327

19 DEC 2018

Current directors

C G Dowsett
L F C Dorey
G A Fox

FRONT DESK

Company Secretary

A E Mulholland

Member of Lloyds Banking Group

WEDNESDAY



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19/12/2018 #181
COMPANIES HOUSE

Directors' report

For the year ended 31 March 2018

The directors present their report and the audited financial statements of Barents Leasing Limited ("the Company") for the year ended 31 March 2018.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 04440327).

During the year, the principal activity of the Company was the management of its assets and liabilities. Following the reacquisition of a lease, going forward the principal activity will be the leasing of plant and equipment through finance lease transactions.

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

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 12 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level.

Future outlook

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union ("EU") has been undertaken. Work continues to assess the impact of 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.

Following the Financial Services (Banking Reform) Act 2013 relating to Ring Fencing the Company acquired a finance lease from the New York branch on 9 November 2018. The lease was previously held within the Company and sold to the New York branch on 16 March 2012.

Dividends

No dividends were paid or proposed during the year ended 31 March 2018 (2017: £nil).

Going concern

The Company has net liabilities and is reliant on funding ultimately provided by Lloyds Banking Group plc. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries including the Company will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

It is noted that on 20 February 2018 Lloyds Banking Group plc had passed a resolution confirming that it would continue to provide financial support to its subsidiaries, of which the Company is one.

Directors

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

The following change has taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

A J Kemp	(resigned 28 June 2018)
L F C Dorey	(appointed 28 June 2018)

Company Secretary

The following change has taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

A E Mulholland	(appointed 25 October 2017)
M A A Johnson	(resigned 25 October 2017)

Directors' report (continued)

For the year ended 31 March 2018

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join 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 have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are 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.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor and audit information

Each person who is a Director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This is given and should be interpreted in accordance with the provisions of the Companies Act 2006.

Resolutions concerning the re-appointment of PricewaterhouseCoopers LLP as auditor and authorising the Audit Committee to set its remuneration will be proposed at the Group's Annual General Meeting.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 auditors are aware of that information.

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

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



C G Dowsett
Director

18 December 2018

Statement of comprehensive income

For the year ended 31 March 2018

	Note	2018 £	2017 £
Interest income		92	-
Interest expense		(158,798)	(167,051)
Net interest expense	3	(158,706)	(167,051)
Foreign exchange (loss)/ gain		(104)	414
Loss before tax		(158,810)	(166,637)
Taxation	7	30,174	33,327
Loss for the year, being total comprehensive expense		(128,636)	(133,310)

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

Balance sheet

As at 31 March 2018

	Note	2018 £	2017 £
ASSETS			
Cash and cash equivalents		127,769	86,976
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Total assets		127,769	86,976
<hr/>			
LIABILITIES			
Borrowed funds	8	2,792,752	2,777,095
Trade and other payables	9	7,661,159	7,510,540
Current tax liability		7,754,535	7,751,382
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Total liabilities		18,208,446	18,039,017
<hr/>			
EQUITY			
Share capital	10	1	1
Accumulated losses		(18,080,678)	(17,952,042)
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Total equity		(18,080,677)	(17,952,041)
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Total equity and liabilities		127,769	86,976

The accompanying notes to the financial statements 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

18 December 2018

Statement of changes in equity

For the year ended 31 March 2018

	Share capital £	Accumulated losses £	Total equity £
At 1 April 2016	1	(17,818,732)	(17,818,731)
Loss for the year being total comprehensive expense	-	(133,310)	(133,310)
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At 31 March 2017	1	(17,952,042)	(17,952,041)
Loss for the year being total comprehensive expense	-	(128,636)	(128,636)
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At 31 March 2018	1	(18,080,678)	(18,080,677)

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

Cash flow statement

For the year ended 31 March 2018

	2018 £	2017 £
Cash flows generated from operating activities		
Loss before tax	(158,810)	(166,637)
Adjustments for:		
Foreign exchange loss/(gain)	104	(414)
Changes in operating assets and liabilities:		
- Net increase in Trade and other payables	160,288	153,967
Cash generated from/(used in) operations	1,582	(13,084)
Income tax received	33,327	399,326
Net cash generated from operating activities	34,909	386,242
Cash flows generated from/(used in) financing activities		
Increase/(decrease) in Bank borrowings	5,884	(344,360)
Net cash generated from/(used in) financing activities	5,884	(344,360)
Change in Cash and cash equivalents	40,793	41,882
Cash and cash equivalents at beginning of year	86,976	45,094
Cash and cash equivalents at end of year	127,769	86,976

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

Notes to the financial statements

For the year ended 31 March 2018

1. Accounting policies

1.1 Basis of preparation

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

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

There are no new IFRS pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 March 2018 and which have not been applied in preparing these financial statements are given in note 16. No standards have been early adopted.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Foreign currency

The financial statements are presented in Sterling which is the Company's functional and presentation currency. Foreign currency transactions are translated into Sterling at the average exchange rate for the year. Exchange gains and losses resulting from the settlement of such transactions are recognised in the Statement of comprehensive income.

Exchange gains and losses arising from the translation of monetary assets and liabilities at the exchange rate prevailing at the balance sheet date are recognised in the Statement of comprehensive income.

Income and expense from financial assets

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, 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.

1.3 Expenses recognition

Finance costs

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

1.4 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings, Interest payable, Bank borrowings and Trade and other payables.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

1.5 Impairment

Financial assets

The carrying value of all financial assets held at amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable fair prices and expected net selling prices.

Impairment process

Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following events:

- (i) Significant financial difficulty of the issuer or debtor;
- (ii) A breach of contract;
- (iii) The disappearance of an active market for that asset because of financial difficulties; or
- (iv) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of assets
 - Adverse changes in the payment status of issuers or debtors; or
 - National or local economic conditions that correlate with defaults on the assets in the Company.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the Statement of comprehensive income.

1.6 Dividends paid

Dividends on ordinary shares are recognised through equity only when the Company has the obligation to pay the ordinary shareholder.

1.7 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.8 Taxation

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

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

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

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. Critical accounting estimates and judgements in applying accounting policies

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

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

3. Net interest expense

	2018 £	2017 £
Interest income		
Group interest income (see note 11)	92	-
	<hr/>	<hr/>
	92	-
Interest expense		
Group interest expense (see note 11)	(8,283)	(11,938)
Other interest expense	(150,515)	(155,113)
	<hr/>	<hr/>
	(158,798)	(167,051)
	<hr/>	<hr/>
Net interest expense	(158,706)	(167,051)

Other interest expense relates to interest payable on overdue tax.

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements have been borne by a fellow group undertaking and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company did not have any employees during the year (2017: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 11).

Notes to the financial statements (continued)

For the year ended 31 March 2018

7. Taxation

	2018 £	2017 £
a) Analysis of credit for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	(30,174)	(33,327)

Corporation tax is calculated at a rate of 19.00% (2017: 20.00%) of the taxable profit for the year.

b) Factors affecting the tax credit for the year

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

	2018 £	2017 £
Loss before tax	(158,810)	(166,637)
Tax credit thereon at UK corporation tax rate of 19.00% (2017: 20.00%)	(30,174)	(33,327)
Tax credit on loss on ordinary activities	(30,174)	(33,327)
Effective rate	19.00%	20.00%

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

8. Borrowed funds

	2018 £	2017 £
Amounts due to group undertakings (see note 11)	579,475	572,101
Interest payable (see note 11)	4,014	1,615
Bank borrowings (see note 11)	2,209,263	2,203,379
	2,792,752	2,777,095

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made.

Notes to the financial statements (continued)

For the year ended 31 March 2018

9. Trade and other payables

	2018 £	2017 £
Accruals and deferred income	104	-
Other financial liabilities	7,661,055	7,510,540
	7,661,159	7,510,540

10. Share capital

	2018 £	2017 £
Allotted, issued and fully paid 1 ordinary shares of £1 each	1	1

11. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

	2018 £	2017 £
Amounts due to group undertakings		
Bank of Scotland Structured Asset Finance Limited	572,101	572,101
Lloyds Bank plc	7,374	-
Total Amounts due to group undertakings (see note 8)	579,475	572,101
Cash and cash equivalents held with group undertakings		
Bank of Scotland plc	83,327	86,976
Interest payable		
Lloyds Bank plc (see note 8)	4,014	1,615
Bank borrowings		
Lloyds Bank plc (see note 8)	2,209,263	2,203,379
Interest income		
Bank of Scotland plc (see note 3)	92	-
Interest expense		
Lloyds Bank plc (see note 3)	8,283	11,938

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Related party transactions (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and Bank of Scotland Structured Asset Finance Limited. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

12. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, market risk, foreign exchange risk and business risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the ultimate parent, Lloyds Banking Group plc. Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by Retail Finance's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

12.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts and operating leases is managed through the application of strict underwriting criteria, determined by Retail Finance's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses that have been incurred at the balance sheet date.

In measuring the credit risk of loans and advances, the Company reflects three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Cash and cash equivalents are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant.

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.

At the balance sheet date the Company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 31 March 2018 and 2017 there were no impairments relating to credit risk against any financial assets.

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Financial risk management (continued)

12.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by the immediate parent company, Bank of Scotland plc, in consultation with the board of directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

As at 31 March 2018

	On demand £	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Total £
Bank borrowings	-	2,209,263	-	-	-	2,209,263
Other liabilities	15,995,169	4,014	-	-	-	4,014
	15,995,169	2,213,277	-	-	-	18,208,446

As at 31 March 2017

	On demand £	Up to 1 month £	1-3 months £	3-12 months £	1-5 years £	Total £
Bank borrowings	-	2,203,379	-	-	-	2,203,379
Other liabilities	15,834,023	1,615	-	-	-	15,835,638
	15,834,023	2,204,994	-	-	-	18,039,017

All other funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc.

12.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, and the Company has no exposure to variable rate financial assets and liabilities.

12.4 Market risk

The leasing portfolio includes agreements where the Company has a risk in respect of residual value of the assets. This area of credit policy is monitored by a residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data.

The Company believes it is not subject to market risk exposure as all residual values of amounts owed under finance lease agreements are guaranteed under the terms of the associated agreements.

12.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Financial risk management (continued)

12.6 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. Foreign exchange risk arises on investments and borrowings denominated in a currency other than Sterling. The currency giving rise to this risk is US dollars.

As the Company is exposed to some residual foreign exchange rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the foreign exchange rates.

Foreign currency risk - sensitivity analysis

The sensitivity analysis is based on the Company's borrowings denominated in US dollars and considers movements in foreign exchange rates between US dollars and Sterling. A 0.25% change in the foreign currency rate has been used to assess the sensitivity in the Statement of comprehensive income.

If US dollars strengthen against Sterling by 0.25%, this would approximately change post tax profit by an insignificant amount (2017: insignificant), primarily due to assets/liabilities denominated in US dollars.

12.7 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

12.8 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

13. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders 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 advises the board of directors to consider making 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 board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

14. Contingent liabilities and capital commitments

There were no contracted capital commitments at the balance sheet date (2017: £nil).

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law which might lead to additional tax. A number of group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Group, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimates that this would result in an increase in the Company's current tax liability of approximately £996,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due on the Company.

Notes to the financial statements (continued)

For the year ended 31 March 2018

15. Post balance sheet events

Following the Financial Services (Banking Reform) Act 2013 relating to Ring Fencing the Company acquired the Artic Lady from the New York branch on 9 November 2018 for \$105,467,414.75.

16. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 March 2018 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments'	<p>IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. The company has chosen 1 January 2018 as its initial application date of IFRS 9 and will not restate comparative periods.</p> <p>IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost. Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.</p> <p>Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss. An entity may, at initial recognition, designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.</p> <p>Impairment IFRS 9 replaces the existing 'incurred loss' impairment approach with an expected credit loss ('ECL') model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39.</p>	Annual periods beginning on or after 1 January 2018

Notes to the financial statements (continued)

For the year ended 31 March 2018

16. Future developments (continued)

Pronouncement	Nature of change	Effective date
IFRS 16 'Leases'	The IASB has issued IFRS 16 to replace IAS 17 Leases which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. This change will mainly impact the properties that the Group currently accounts for as operating leases. Lessor accounting requirements remain aligned to the current approach under IAS 17.	Annual periods beginning on or after 1 January 2019

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements.

17. Ultimate parent undertaking and controlling party

The immediate parent company is Bank of Scotland Structured Asset Finance Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated 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. Bank of Scotland plc is the parent undertaking 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.

Independent Auditors' report to the member of Barents Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Barents Leasing Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2018; the Statement of comprehensive income, the Cash flow statement and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of Barents Leasing Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

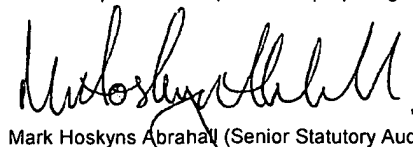
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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



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

18 December 2018