

# **Lloyds Bank Corporate Asset Finance (No.2) Limited**

## **Annual report and financial statements for the year ended 30 June 2020**

### **Registered office**

25 Gresham Street  
London  
EC2V 7HN

### **Registered number**

04839361

### **Current directors**

C G Dowsett  
K Softly

### **Company Secretary**

A E Mulholland

Member of Lloyds Banking Group

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COMPANIES HOUSE

## Directors' report

For the year ended 30 June 2020

The Directors present their Annual report and the audited financial statements of Lloyds Bank Corporate Asset Finance (No.2) Limited ("the Company") for the year ended 30 June 2020.

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

## Review of business

The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 04839361).

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

The results of the Company show a loss before taxation of £11,000 (2019: £26,000 profit) for the year as set out in the Income statement on page 3.

The Company has shareholders' equity of £702,000 (2019: £686,000).

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

## Future outlook

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

## 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 17 to the financial statements.

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

The economic impacts of the COVID-19 pandemic, including increased levels of unemployment and corporate insolvencies, could adversely impact the Company's corporate customers and their ability to service their contractual obligations, including to the Company.

## 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.

## Employees

The Company has no direct employees (2019: nil). All staff are employed by other group undertakings and no staff costs are recharged to the Company.

## Dividends

No dividends were paid or proposed during the year ended 30 June 2020 (2019: £nil).

## Going Concern

The Directors are satisfied that it is the intention of Lloyds Banking Group plc ("LBG") that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The Company is covered by the letter of support from the LBG dated 19 February 2020 that covers Lloyds Bank plc, and all its subsidiaries, which confirms that LBG will support the Company in meeting its financial liabilities as they fall due.

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

## Directors' report (continued)

For the year ended 30 June 2020

### 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:

K Softly                                      Appointed 7 November 2019

### Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Director who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

### Statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") 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 the financial statements, the Directors are required to:

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

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

### Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Company for accounting periods ending on or after 30 June 2021.

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



C G Dowsett  
Director  
27 January 2021

## Income statement

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
Finance income	4	17	28
Finance costs	5	(1)	(2)
		16	26
Impairment charge	6	(27)	-
<b>(Loss)/profit before tax</b>	7	<b>(11)</b>	<b>26</b>
Taxation	8	27	-
<b>Profit after tax</b>		<b>16</b>	<b>26</b>

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

## Statement of comprehensive income

For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
<b>Profit after tax</b>		<b>16</b>	<b>26</b>
<b>Other comprehensive income</b>			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Movement in cash flow hedges			
- effective portion of changes in fair value taken to other comprehensive income	15	-	-
- tax	15	-	-
<hr/>			
Other comprehensive income for the year, net of tax		-	-
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<b>Total comprehensive income for the year</b>		<b>16</b>	<b>26</b>

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

## Balance sheet

As at 30 June 2020

	Note	2020 £'000	2019 £'000
<b>ASSETS</b>			
Amounts due from group undertakings	9	551	506
Finance lease receivables	10	20	101
Trade and other receivables		4	-
Deferred tax asset	12	209	215
<hr/>			
<b>Total assets</b>		<b>784</b>	<b>822</b>
<hr/>			
<b>LIABILITIES</b>			
Amounts due to group undertakings	13	78	132
Trade and other payables		4	4
<hr/>			
<b>Total liabilities</b>		<b>82</b>	<b>136</b>
<hr/>			
<b>EQUITY</b>			
Share capital	14	-	-
Other reserves	15	-	-
Retained earnings		702	686
<hr/>			
<b>Total equity</b>		<b>702</b>	<b>686</b>
<hr/>			
<b>Total equity and liabilities</b>		<b>784</b>	<b>822</b>

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

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



**C G Dowsett**  
Director  
27 January 2021

## Statement of changes in equity

For the year ended 30 June 2020

	Share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2018</b>	-	-	660	660
<b>Comprehensive income</b>				
Profit for the year	-	-	26	26
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	-	-	-
<b>Total comprehensive income</b>	-	-	26	26
<b>Balance at 30 June 2019</b>	-	-	686	686
<b>Comprehensive income</b>				
Profit for the year	-	-	16	16
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	-	-	-
<b>Total comprehensive income</b>	-	-	16	16
<b>At 30 June 2020</b>	-	-	702	702

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

## Cash flow statement

For the year ended 30 June 2020

	2020 £'000	2019 £'000
(Loss)/profit before tax	(11)	26
Adjustments for: - Impairment	27	-
<b>Operating cash flows before movements in working capital</b>	<b>16</b>	<b>26</b>
Decrease in trade and other receivables	50	46
Decrease in trade and other payables	-	(18)
<b>Cash generated from operations</b>	<b>66</b>	<b>54</b>
Tax received/(paid)	44	(41)
<b>Net cash generated from operating activities</b>	<b>110</b>	<b>13</b>
<b>Cash flows used in financing activities</b>		
Decrease in bank borrowings	(54)	(45)
<b>Net cash used in financing activities</b>	<b>(54)</b>	<b>(45)</b>
<b>Change in cash and cash equivalents</b>	<b>56</b>	<b>(32)</b>
Cash and cash equivalents at beginning of year	462	494
<b>Cash and cash equivalents at end of year</b>	<b>518</b>	<b>462</b>

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



## Notes to the financial statements

For the year ended 30 June 2020

### 1. Basis of preparation

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

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

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

These financial statements the Balance sheet has been arranged in order of liquidity.

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

- (i) IFRS 16 'Leases' replaces IAS 17 'Leases' and addresses the classification and measurement of all leases. The Company's accounting as a lessor under IFRS 16 is substantially unchanged from its approach under IAS 17; however for lessee accounting there is no longer a distinction between finance and operating leases.

For all assets the lessee recognises a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with leases with a lease term of 12 months or less and leases of low-value assets are recognised as an expense in profit or loss on a straight-line basis.

Details of those pronouncements which will be relevant to the Company but which were not effective at 30 June 2020 and which have not been applied in preparing these financial statements are given in note 19. No standards have been early adopted.

The Directors are satisfied that it is the intention of Lloyds Banking Group plc ("LBG") that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

The Company is covered by the letter of support from the LBG dated 19 February 2020 that covers Lloyds Bank plc, and all its subsidiaries, which confirms that LBG will support the Company in meeting its financial liabilities as they fall due.

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

### 2. Accounting policies

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

#### 2.1 Income recognition

##### Income and expense from financial instruments

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

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

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 2. Accounting policies

#### 2.1 Income recognition (continued)

##### Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee; all other leases are classified as operating leases.

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

##### Finance lease income

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

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

##### Finance costs

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

#### 2.2 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Trade and other receivables. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables.

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

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

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

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

#### 2.3 Impairment of financial assets and lease receivables

The impairment charge in the income statement includes the change in expected credit losses. Expected credit losses are recognised for financial assets and finance lease receivables. Expected credit losses are calculated by using an appropriate 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, 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 are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 2. Accounting policies (continued)

#### 2.3 Impairment of financial assets and lease receivables (continued)

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. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses. 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 watch lists and other indicators of historical delinquency, credit weakness or financial difficulty. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

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

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

#### 2.4 Derivative financial instruments and hedge accounting

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

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

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

##### (1) Cash flow hedges

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

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

#### 2.5 Cash and cash equivalents

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

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 2. Accounting policies (continued)

#### 2.6 Taxation, including deferred income taxes

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or 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

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.

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

#### 2.7 Share capital

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

#### 2.8 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 estimates and judgements

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

In the course of preparing the financial statements, no critical judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations which are disclosed separately below.

The following are critical accounting estimates that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 3. Critical accounting estimates and judgements (continued)

#### Fair value of financial instruments

At 30 June 2020, the carrying value of the Company's financial instrument liabilities held at fair value was £nil (2019: £1,000).

In accordance with IFRS 13 Fair Value Measurement, the Company categorises financial instruments carried on the Balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore minimal estimates are made in determining fair value. The fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models.

The valuation techniques for level 2 and level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable information. See note 17.4 for further information.

#### Allowance for impairment losses

The Company recognises an allowance for expected credit losses for finance lease receivables. At 30 June 2020 the Company's expected credit loss allowance was £27,000 (2019: immaterial), of which £27,000 (2019: immaterial) was in respect of drawn balances.

The calculation of the Company's expected credit loss (ECL) allowances under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

##### - Definition of default

The potential losses from an exposure, both over a 12 month period and over its lifetime, are a key consideration in the calculation of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

##### - Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and lease extensions. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company.

##### - Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. Financial assets and lease receivables are assumed to have suffered a SICR if they are more than 30 days past due.

### 4. Finance income

	2020 £'000	2019 £'000
Finance lease income	17	28
	17	28

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

	2020 £'000	2019 £'000
Interest payable to other group companies	1	1
Interest payable on cash flow hedges	-	1
	1	2

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 6. Impairment charge

	2020 £'000	2019 £'000
Impairment charge of finance lease receivables	27	-
Impairment charge	27	-

### 7. (Loss)/profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £6,000 (2019: £6,000) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company has no employees (2019: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also director 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.

### 8. Taxation

	2020 £'000	2019 £'000
<b>a) Analysis of credit for the year</b>		
UK corporation tax:		
- Current tax receivable on taxable (loss)/profit for the year	33	44
Current tax credit	33	44
UK deferred tax:		
- Origination and reversal of timing differences	(31)	(49)
- Impact of deferred tax rate change	25	5
Deferred tax charge (see note 12)	(6)	(44)
Tax credit	27	-

Corporation tax is calculated at a rate of 19.00% (2019:19.00%) 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:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(11)	26
Tax credit thereon at UK corporation tax rate of 19.00% (2019:19.00%)	2	(5)
Factors affecting credit:		
- Effect on reduction in tax rate and related impacts	25	5
Tax credit on (loss) / profit on ordinary activities	27	-
Effective rate	245.45%	0.00%

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 9. Amounts due from group undertakings

	2020 £'000	2019 £'000
Cash at bank	518	462
Tax receivable	33	44
	551	506

Cash at bank unsecured, non-interest bearing and payable on demand. For further details please refer to note 16.

### 10. Finance lease receivables

	2020 £'000	2019 £'000
Gross investment in finance leases	47	101
Allowance for losses	(27)	-
	20	101

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 July 2019	101	-	-	101
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(101)	-	101	-
Net decrease in finance lease receivables	-	-	(54)	(54)

Gross investment in finance leases at 30 June 2020	-	-	47	47
Allowance for impairment losses	-	-	(27)	(27)

Net investment in finance leases at 30 June 2020	-	-	20	20
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	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 July 2018	147	-	-	147
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(46)	-	-	(46)

Gross investment in finance leases at 30 June 2019	101	-	-	101
Allowance for impairment losses	-	-	-	-

Net investment in finance leases at 30 June 2019	101	-	-	101
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The gross investment in finance leases represents amounts recoverable as follows:

	2020 £'000	2019 £'000
Gross investment in finance leases, receivable:		
Not later than 1 year	24	67
Later than 1 year and not later than 2 years	-	51
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-
	24	118
Unearned future finance income on finance leases	(4)	(17)
Net investment in finance leases	20	101

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 10. Finance lease receivables (continued)

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

	2020 £'000	2019 £'000
Net investment in finance leases, receivable:		
Not later than 1 year	20	54
Later than 1 year and not later than 2 years	-	47
Later than 2 years and not later than 3 years	-	-
Later than 3 years and not later than 4 years	-	-
Later than 4 years and not later than 5 years	-	-
Later than 5 years	-	-
<b>Net investment in finance leases</b>	<b>20</b>	<b>101</b>

The fair value of the Company's finance lease receivables at 30 June 2020 is estimated at £50,000 (2019: £115,000).

### 11. Allowance for impairment losses

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
<b>Year ended 30 June 2020</b>				
<i>In respect of drawn balances</i>				
At 1 July 2019	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	-	28	28
Credit for year	-	-	(1)	(1)
<b>At 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>27</b>
<b>Year ended 30 June 2019</b>				
<i>In respect of drawn balances</i>				
At 1 July 2018	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	-	-	-
Recovery for year	-	-	-	-
<b>At 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 12. Deferred tax assets

The movement in the deferred tax asset is as follows:

	2020 £'000	2019 £'000
At 1 July	215	259
Deferred taxation charge for the year	(31)	(49)
Impact of tax rate change thereon	25	5
Movement in other reserves (note 15)	-	-
<b>At 30 June</b>	<b>209</b>	<b>215</b>



## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 12. Deferred tax assets (continued)

The deferred tax charge in the Income statement comprises the following temporary differences:

	2020 £'000	2019 £'000
Accelerated capital allowances	(6)	(44)
Deferred tax charge	(6)	(44)

Deferred taxation assets are comprised as follows:

	2020 £'000	2019 £'000
Deferred taxation assets		
Accelerated capital allowances	209	215
Total deferred taxation assets	209	215

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. Within the March 2020 Budget, the UK government stated its intention to maintain the corporation tax rate at 19% on 1 April 2020. That rate change was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

### 13. Amounts due to group undertakings

	2020 £'000	2019 £'000
Bank borrowings	47	101
Interest payable	31	30
Derivative financial instruments (note 17.5)	-	1
	78	132

Bank borrowing and derivative financial instruments are unsecured, interest bearing and payable on maturity. For further details please refer to note 16.

Interest payable is unsecured, non interest bearing and payable on demand. For further details please refer to note 16.

### 14. Share capital

	2020 £	2019 £
Allotted, issued and fully paid		
100 (2019: 100) ordinary shares of £1 each	100	100

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

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

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 15. Other reserves

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

	2020 £'000	2019 £'000
At 1 July	-	-
Change in fair value of cash flow hedges	-	-
Deferred taxation thereon (note 12)	-	-
At 30 June	-	-

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

### 16. Related party transactions

The Company's immediate parent company is Lloyds Bank Leasing Limited. The company regarded by the Directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent company of the smallest such group of undertakings. Copies of the group financial statements may be downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

The Company's related parties include other companies in the Group and the Company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's directors, who are listed on the cover of these financial statements.

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

Amounts due from group undertakings				2020 £'000	2019 £'000
Nature of transaction	Related party	Repayment	Interest		
Cash at bank	Lloyds Bank plc	No fixed date	N/A	518	462
Tax receivable	Bank of Scotland plc	No fixed date	N/A	33	44
Total Amounts due from group undertakings (note 9)				551	506

Amounts due to group undertakings				2020 £'000	2019 £'000
Nature of transaction	Related party	Repayment	Interest		
Bank borrowings	Lloyds Bank plc	26/07/2020	0.09%	47	101
Interest payable	Lloyds Bank plc	No fixed date	N/A	31	30
Derivative financial instruments (note 17.5)	Lloyds Bank plc	26/03/2021	1.19%	-	1
Total Amounts due to group undertakings (note 13)				78	132

Finance costs	Related party		
Interest payable to other group companies	Lloyds Bank plc	1	1

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

Bank borrowings are interest bearing and during the year rates of interest of between 0.09% and 0.72% (2019: 0.49% and 0.73%) were charged.

The Company received taxation of £44,000 (2019: £41,000 paid) during the year to fellow subsidiary undertakings.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 16. Related party transactions (continued)

The registered offices of related parties are noted below:

Related party	Related party relationship	Registered address
Lloyds Bank plc	Ultimate parent company	25 Gresham Street, London EC2V
Bank of Scotland plc	Fellow subsidiary undertaking	The Mound, Edinburgh, EH1 1YZ

### 17. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk and interest rate 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.

#### 17.1 Credit risk

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

##### Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focussed 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.

	2020 £'000	2019 £'000
Amounts due from group undertakings	551	506
Finance lease receivables	47	101
	598	607

The credit risk associated with Amounts due from group undertakings are held with other companies within the Group and is not considered to be significant.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 17. Financial risk management (continued)

#### 17.1 Credit risk (continued)

##### 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.

	Grade	IFRS 9 PD%
Good quality	1 - 10	0.00 - 0.50
Satisfactory quality	11 - 14	0.51 - 3.00
Lower quality	15 - 18	3.01 - 20.00
Below standard, but not impaired	19	20.01 - 99.99
Credit impaired	20 - 23	100

	2020 £'000	2019 £'000
<b>Stage 1</b>		
Good quality	-	-
Satisfactory quality	-	101
Lower quality	-	-
Below standard, but not impaired	-	-
	-	101
<b>Stage 2</b>		
Good quality	-	-
Satisfactory quality	-	-
Lower quality	-	-
Below standard, but not impaired	-	-
	-	-
<b>Stage 3</b>		
Credit-impaired	47	-
<b>Total</b>	<b>47</b>	<b>101</b>

#### 17.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The majority of the funding within the Company comes from within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. The liquidity profile of financial liabilities at the year end was as follows:

As at 30 June 2020

	On demand £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5+ years £'000	Total £'000
Bank borrowings	-	47	-	-	-	47
Interest payable	31	-	-	-	-	31
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables	4	-	-	-	-	4
	<b>35</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82</b>

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 17. Financial risk management (continued)

#### 17.2 Liquidity risk (continued)

As at 30 June 2019	On demand £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5+ years £'000	Total £'000
Bank borrowings	-	101	-	-	-	101
Interest payable	30	-	-	-	-	30
Derivative financial instruments	-	-	-	-	1	1
Trade and other payables	4	-	-	-	-	4
	34	101	-	-	1	136

#### 17.3 Interest rate risk

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

The Company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the Company has no material exposure to financial risk arising from changes in market interest rates. Interest rate risk is hedged using interest rate swaps.

#### 17.4 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.

##### Fair value hierarchy

###### 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.

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 17. Financial risk management (continued)

#### 17.4 Fair values of financial assets and liabilities (continued)

The tables below provide an analysis of the financial assets 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 30 June 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Total derivative financial instruments (note 17.5)	-	-	-	-
	-	-	-	-
At 30 June 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Total derivative financial instruments (note 17.5)	-	1	-	1
	-	1	-	1

The fair value of current liabilities approximates their carrying values.

#### 17.5 Derivative financial instruments

The principal derivative 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 Company'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 amounts accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

The fair value of the interest rate swap at the reporting date is determined by discounting the future cash flows using interest rate yield curves which are developed from publicly quoted rates.

	Contractual/ Notional amount £'000	Fair values Liabilities £'000
30 June 2020		
Interest rate swaps	47	-
	47	-
30 June 2019		
Interest rate swaps	101	1
	101	1

## Notes to the financial statements (continued)

For the year ended 30 June 2020

### 18. Contingent liability

The Group 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. 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 their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £280,000 (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.

### 19. Future developments

The following pronouncement is not applicable for the year ending 30 June 2020 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at the date of signing these financial statements these pronouncements have been endorsed by the EU.

#### Minor amendments to other accounting standards

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

### 20. IFRS 16

IFRS 16 replaces the provisions of IAS 17 that relate to leases. IFRS 16 eliminates the distinction between leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17.

The Company has adopted IFRS 16 Leases from 1 July 2019 and elected to apply the standard retrospectively with the cumulative effect of initial application being recognised at that date; comparative information has therefore not been restated. Comparative information was prepared in accordance with IAS 17.

As at the Balance sheet dates 30 June 2019 and 30 June 2020 the Company is the lessor and as such there has been no impact on the presentation or disclosure of its leases.

The Company has conducted an analysis of the changes and does not consider there to be any significant impact of applying IFRS 16 to the financial statements.

# ***Independent auditors' report to the members of Lloyds Bank Corporate Asset Finance (No.2) Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Lloyds Bank Corporate Asset Finance (No.2) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 June 2020; the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **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.

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

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

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

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



## *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 30 June 2020 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.

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## **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

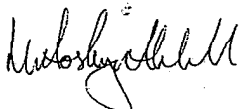
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified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

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### **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 Abrahall (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh  
29 January 2021