

Lloyds Bank Corporate Asset Finance (HP) Limited

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

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

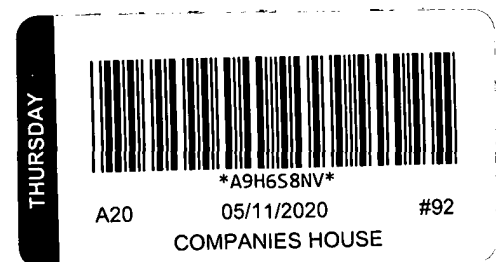
04839408

Current directors

C G Dowsett
K Softly

Company Secretary

A E Mulholland



Directors' report

For the year ended 31 December 2019

The directors present their Annual report and the audited financial statements of Lloyds Bank Corporate Asset Finance (HP) Limited ("the Company") for the year ended 31 December 2019.

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

General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 04839408).

Principal activities

During the year, the principal activity of the Company was the leasing of assets through hire purchase lease transactions, and lending through receivable finance agreements. This is likely to continue for the foreseeable future.

Business review

The results of the Company show a profit before taxation of £149,000 (2018: £368,000) for the year as set out in the Income statement on page 4.

The Company has shareholders' equity of £13,185,000 (2018: £13,093,000).

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 20 to the financial statements.

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

Key performance indicators ("KPIs")

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

Employees

The Company has no direct employees (2018: nil). All staff are employed by other group undertakings and no staff costs are recharged to the Company.

Dividends

No dividends were paid or proposed during the year ended 31 December 2019 (2018: £nil).

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 financial statements:

K Softly (appointed 27 November 2019)

Directors' report (continued)

For the year ended 31 December 2019

Going Concern

The financial statements have been prepared on a going concern basis. There is a net asset position of £13,185,000 (2018: £13,093,000).

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

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

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 the director who joined the Board of the Company during the financial year. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The Deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

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") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

Statement of disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's 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

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

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



C G Dowsett

Director

09 September 2020

Income statement

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Finance income	4	991	1,025
Finance costs	5	(863)	(641)
		128	384
Other operating income	6	-	10
Other operating expenses	7	-	(15)
Impairment recovery/(charge)	8	22	(11)
Foreign exchange loss		(1)	-
Profit before tax		149	368
Taxation	10	(28)	(70)
Profit after tax		121	298

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

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Profit after tax		121	298
Other comprehensive (expense)/income			
<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 (loss)/income	18	(35)	276
- tax		6	(53)
<hr/>			
Other comprehensive (expense)/income for the year, net of tax		(29)	223
<hr/>			
Total comprehensive income for the year		92	521
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The accompanying notes are an integral part of these financial statements.

Balance sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Amounts due from group undertakings	11	16,427	16,156
Hire purchase receivables	12	8,066	9,935
Loans and advances	13	28,335	38,842
Deferred tax asset	15	78	73
Total assets		52,906	65,006
LIABILITIES			
Amounts due to group undertakings	16	39,719	51,616
Other creditors		2	297
Total liabilities		39,721	51,913
EQUITY			
Share capital	17	-	-
Other reserves	18	(312)	(283)
Retained earnings		13,497	13,376
Total equity		13,185	13,093
Total equity and liabilities		52,906	65,006

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
09 September 2020

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 31 December 2017	-	(506)	13,160	12,654
Adjustment on adoption of IFRS 9	-	-	(82)	(82)
Balance at 1 January 2018	-	(506)	13,078	12,572
Comprehensive income				
Profit for the year	-	-	298	298
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	223	-	223
At 31 December 2018	-	(283)	13,376	13,093
Comprehensive income				
Profit for the year	-	-	121	121
<i>Other comprehensive income</i>				
Movements in cash flow hedging reserve, net of tax	-	(29)	-	(29)
At 31 December 2019	-	(312)	13,497	13,185

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

Cash flow statement

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit before tax	149	368
Adjustments for:		
- Gain on termination of hire purchase agreements	-	(10)
- Impairment allowance	(22)	11
- Foreign exchange	1	-
Operating cash flows before movements in working capital	128	369
Decrease/(Increase) in trade and other receivables	12,400	(1,336)
Increase in trade and other payables	305	631
Cash generated from/(used in) operations	12,833	(336)
Tax paid	-	(186)
Net cash generated from/(used in) operating activities	12,833	(522)
Cash flows (used in)/generated from financing activities		
Decrease/(Increase) in bank borrowings	(12,481)	5,963
Net cash (used in)/generated from financing activities	(12,481)	5,963
Change in cash and cash equivalents	352	5,441
Cash and cash equivalents at beginning of year	16,075	10,634
Cash and cash equivalents at end of year	16,427	16,075
Cash and cash equivalents comprise		
Cash at bank	16,427	16,075
Total cash and cash equivalents	16,427	16,075

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

Notes to the financial statements

For the year ended 31 December 2019

1. Basis of preparation

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.

On adoption of IFRS 9 in 2018, the Company elected to continue applying hedge accounting under IAS 39. The EU endorsed version of IAS 39 Financial Instruments: Recognition and Measurement relaxes some of the hedge accounting requirements; the Company has not taken advantage of this relaxation, and therefore there is no difference in application to the Company between IFRS as adopted by the EU and IFRS as issued by the IASB.

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

In preparation of 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 liability for each period.

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2019 and which have not been applied in preparing these financial statements are given in note 22. No standards have been early adopted.

The financial statements have been prepared on a going concern basis. There is a net asset position of £13,185,000 (2018: £13,093,000).

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Accounting policies

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

2.1 Income recognition

Income and expense from financial instruments

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

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

Lease classification

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

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

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 Hire purchase receivables

Assets hired to customers are classified as hire purchase debtors if the hire purchase agreements provide the customer with an option to acquire title to the asset upon the fulfilments of agreed conditions and which is expected to be exercised. When assets are financed under a hire purchase agreement the amount due from the hirer is recorded as a receivable at the present value of the future payments, being the Company's net investment in the asset. Hire purchase income is recognised over the hire term using the net investment method so as to reflect a constant periodic rate of return on the company's net investment in the asset over the hire term.

Initial direct costs attributed to negotiating and arranging the hire purchase are included in the initial measurement of the hire purchase debtor thus reducing the amount of income recognised over the hire term.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Accounting policies (continued)

2.3 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.

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest. Financial assets measured at amortised cost are Loans and advances to customers, Cash and cash equivalents, Amounts due from group undertakings and Trade and other receivables. Loans and advances are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Financial liabilities are measured at amortised cost, except for derivative financial instruments which are valued at fair value through profit or loss (see note 1).

2.4 Impairment of financial assets and lease receivables

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

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, 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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Company continues to apply the requirements of IAS 39 to its hedging relationships. All derivatives are recognised at their fair value. Derivatives are carried on the Balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of all derivative instruments, other than those in effective cash flow and net investment hedging relationships, 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. Derivatives embedded in a financial asset are not considered separately; the financial asset is considered in its entirety when determining whether its cash flows are solely payments of principal and interest.

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 such instruments. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, 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 is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

(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.

2.6 Cash and cash equivalents

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

2.7 Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in pounds sterling, which is the Company's functional and presentation currency.

2.8 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (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.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Accounting policies (continued)

2.8 Taxation, including deferred income taxes (Continued)

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.

2.9 Share capital

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

2.10 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 circumstances.

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.

Fair value of financial instruments

At 31 December 2019, the carrying value of the Company's financial instrument assets held at fair value was £nil (2018: £81,000), and its financial instrument liabilities held at fair value was £376,000 (2018: £420,000).

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.

Allowance for impairment losses

The Company recognises an allowance for expected credit losses for financial assets held at amortised cost, financial assets and hire purchase receivables. At 31 December 2019 the Company's expected credit loss allowance was £89,000 (31 December 2018: £111,000), of which £89,000 (31 December 2018: £111,000) 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.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Critical accounting estimates and judgements (continued)

Allowance for impairment losses (continued)

- Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement 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

	2019 £'000	2018 £'000
Hire purchase income	356	420
Interest income on loans and advances	621	587
Interest from other group companies	14	18
	991	1,025

Hire purchase income represents the income component of hire purchase receivables earned in the year, being hire purchase instalments less capital repayment.

5. Finance costs

	2019 £'000	2018 £'000
Interest payable to other group companies	678	370
Interest payable on derivatives	185	271
	863	641

Notes to the financial statements (continued)

For the year ended 31 December 2019

6. Other operating income

	2019 £'000	2018 £'000
Gain on termination of hire purchase agreements	-	10
Other operating income	-	10

7. Other operating expenses

	2019 £'000	2018 £'000
Other expenses	-	15
Other operating expenses	-	15

8. Impairment recovery/(charge)

	2019 £'000	2018 £'000
Impairment recovery/(charge) on hire purchase receivables	2	(8)
Impairment recovery/(charge) on loans and advances	20	(3)
Impairment recovery/(charge)	22	(11)

9. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £7,500 (2018: £7,500) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company has no employees (2018: nil).

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

10. Taxation

	2019 £'000	2018 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	(24)	(68)
- Adjustments in respect of prior years	(2)	-
Current tax charge	(26)	(68)
UK deferred tax:		
- Origination and reversal of timing differences	(4)	(2)
- Adjustments in respect of prior years	2	-
Deferred tax charge (see note 15)	(2)	(2)
Tax charge	(28)	(70)

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Taxation (continued)

b) Factors affecting the tax charge for the year

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

	2019 £'000	2018 £'000
Profit before tax	149	368
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	(28)	(70)
Tax charge on profit on ordinary activities	(28)	(70)
Effective rate	(18.79%)	19.02%

11. Amounts due from group undertakings

	2019 £'000	2018 £'000
Cash at bank	16,427	16,075
Derivative financial instruments (note 20.6)	-	81
At 31 December	16,427	16,156

12. Hire purchase receivables

	2019 £'000	2018 £'000
Gross investment in hire purchases	8,101	9,972
Allowance for losses	(35)	(37)
Net investment in hire purchases	8,066	9,935

Notes to the financial statements (continued)

For the year ended 31 December 2019

12. Hire purchase receivables (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2019	8,883	1,089	-	9,972
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in hire purchase receivables	(782)	(1,089)	-	(1,871)
Gross investment in hire purchases at 31 December 2019	8,101	-	-	8,101
Allowance for impairment losses	(35)	-	-	(35)
Net investment in hire purchases at 31 December 2019	8,066	-	-	8,066

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2018	13,855	-	-	13,855
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(2,398)	2,398	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in hire purchase receivables	(2,574)	(1,309)	-	(3,883)
Gross investment in hire purchases at 31 December 2018	8,883	1,089	-	9,972
Allowance for impairment losses	(16)	(21)	-	(37)
Net investment in hire purchases at 31 December 2018	8,867	1,068	-	9,935

The gross investment in hire purchases represents amounts recoverable as follows:

	2019 £'000	2018 £'000
Gross investment in hire purchases receivable:		
Not later than 1 year	1,869	1,971
Later than 1 year and not later than 2 years	2,172	2,014
Later than 2 years and not later than 3 years	3,518	2,218
Later than 3 years and not later than 4 years	779	3,560
Later than 4 years and not later than 5 years	297	822
Later than 5 years	-	314

Unearned future finance income on hire purchases	8,635 (569)	10,899 (964)
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Net investment in hire purchases	8,066	9,935
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The net investment in hire purchases represents amounts recoverable as follows:

	2019 £'000	2018 £'000
Not later than 1 year	1,607	1,611
Later than 1 year and not later than 2 years	1,955	1,721
Later than 2 years and not later than 3 years	3,442	1,999
Later than 3 years and not later than 4 years	766	3,484
Later than 4 years and not later than 5 years	296	808
Later than 5 years	-	312

Net investment in hire purchases	8,066	9,935
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Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Loans and advances

	2019 £'000	2018 £'000
Loans and advances	28,389	38,916
Allowance for losses	(54)	(74)
Net loans and advances	28,335	38,842

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2019	38,916	-	-	38,916
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in loans and advances	(10,527)	-	-	(10,527)
Gross loans and advances at 31 December 2019	28,389	-	-	28,389
Allowance for impairment losses	(54)	-	-	(54)
Net loans and advances at 31 December 2019	28,335	-	-	28,335

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance at 1 January 2018	33,269	-	-	33,269
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net increase in loans and advances	5,647	-	-	5,647
Gross loans and advances at 31 December 2018	38,916	-	-	38,916
Allowance for impairment losses	(74)	-	-	(74)
Net loans and advances at 31 December 2018	38,842	-	-	38,842

14. Allowance for impairment losses

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 December 2019				
<i>In respect of drawn balances</i>				
At 1 January 2019	(90)	(21)	-	(111)
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Recovery for year	1	21	-	22
At 31 December 2019	(89)	-	-	(89)

Notes to the financial statements (continued)

For the year ended 31 December 2019

14. Allowance for impairment losses (Continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 December 2018				
<i>In respect of drawn balances</i>				
At 1 January 2018	(100)	-	-	(100)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	3	(3)	-	-
Transfers to Stage 3	-	-	-	-
Impact of transfers between stages	-	(25)	-	(25)
Recovery for year	7	7	-	14
At 31 December 2018	(90)	(21)	-	(111)

15. Deferred taxation

The movement in the Deferred tax asset is as follows:

	2019 £'000	2018 £'000
At 1 January	74	111
Transition to IFRS 9	-	18
At 1 January under IFRS 9	74	129
Deferred taxation charge for the year	(2)	(2)
Movement in other reserves (note 18)	6	(53)
At 31 December	78	74

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

	2019 £'000	2018 £'000
Other temporary differences	(2)	(2)
Deferred tax charge	(2)	(2)

Deferred taxation assets are comprised as follows:

	2019 £'000	2018 £'000
Other temporary differences	78	74
Total deferred taxation assets	78	74

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 per cent with effect from 1 April 2020. This intention to maintain the corporation tax rate was enacted under the Provisional Collection of Taxes Act 1968 on 17 March 2020. Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax assets by £9k.

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Amounts due to group undertakings

	2019 £'000	2018 £'000
Bank borrowings	37,420	49,901
Interest payable	1,817	1,215
Amounts due to other group companies	12	12
Tax payable	94	68
Derivative financial instruments (note 20.6)	376	420
At 31 December	39,719	51,616

Bank borrowings of £37,420,000 (2018: £49,901,000) are unsecured, interest bearing and repayable on maturity (note 19).

Derivative financial instruments of £376,000 (2018: £420,000) are unsecured, interest bearing and payable on maturity (see note 20.6).

All other balances within amounts due to group undertakings of £1,923,000 (2018: £1,295,000) are unsecured, non interest bearing and payable on demand.

17. Share capital

	2019 £	2018 £
Allotted, issued and fully paid		
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 equity.

18. Other reserves

Other reserves relate to gains and losses recognised on cash flow hedges

	2019 £'000	2018 £'000
At 1 January	(283)	(506)
Change in fair value of cash flow hedges	(35)	276
Deferred taxation thereon (note 15)	6	(53)
At 31 December	(312)	(283)

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. 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.

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.

				2019 £'000	2018 £'000
Amounts due from group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Cash at bank	Lloyds Bank plc	No fixed date	N/A	16,427	16,075
Derivative financial instruments	Lloyds Bank plc	Various	Various	-	81
Loans and advances	Lloyds Bank plc	Various	Various	28,335	38,824
Total amounts due from group undertakings (note 11 and note 13)				44,762	54,980
Amounts due to group undertakings					
Nature of transaction	Related party	Repayment	Interest		
Bank borrowings	Lloyds Bank plc	Various	Various	37,420	49,901
Interest payable	Lloyds Bank plc	Various	N/A	1,817	1,215
Tax payable	Bank of Scotland	No fixed date	N/A	94	68
Amounts due to group undertakings	Lloyds Bank plc	No fixed date	N/A	12	12
Derivative financial instruments (note 20.6)	Lloyds Bank plc	Various	Various	376	420
Total amounts due to group undertakings (note 16)				39,719	51,616
Finance income					
Interest receivable	Related Party Lloyds Bank plc			635	605
Finance costs					
Interest payable	Related Party Lloyds Bank plc			863	641

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 0.66% and 1.19% (2018: 0.49% and 0.52%) were charged.

The Company paid taxation of £nil (2018: £186,000) during the year to fellow subsidiary undertakings.

The registered offices of related parties are noted below:

Related party	Registered address
Lloyds Bank plc	25 Gresham Street, London EC2V 7HN
Bank of Scotland plc	The Mound, Edinburgh, EH1 1YZ

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management

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

20.1 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 hire purchase, loans and advances and trade receivables 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 1.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.
- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Maximum credit exposure

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below and equates to carrying value.

	2019 £'000	2018 £'000
Hire purchase receivables	8,101	9,972
Loans and advances	28,389	38,916
Amounts due from group undertakings	16,427	16,156
	52,917	65,044

The credit risk associated with amounts due from group undertakings is not considered to be significant.

Credit quality of finance lease receivables and loans and advances

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.1 Credit risk (Continued)

	Hire purchase receivables		Loans and advances	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Stage 1				
Good quality	1,157	5,276	28,389	38,916
Satisfactory quality	6,944	3,607	-	-
Lower quality	-	-	-	-
Below standard, but not impaired	-	-	-	-
	8,101	8,883	28,389	38,916
Stage 2				
Good quality	-	-	-	-
Satisfactory quality	-	1,089	-	-
Lower quality	-	-	-	-
Below standard, but not impaired	-	-	-	-
	-	1,089	-	-
Stage 3				
Credit-impaired	-	-	-	-
Total	8,101	9,972	28,389	38,916

20.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company is funded entirely by companies within the Group.

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

As at 31 December 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	-	36,475	945	-	-	37,420
Other payables	1,364	315	-	-	219	1,898
Derivative financial instruments	-	6	-	-	370	376
	1,364	36,796	945	-	589	39,694

As at 31 December 2018

	On demand £'000	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Bank borrowings	-	33,275	15,170	1,456	-	49,901
Other payables	1,019	41	5	1	161	1,227
Derivative financial instruments	-	-	-	-	420	420
	1,019	33,316	15,175	1,457	581	51,548

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.3 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.

20.4 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's transactions are all denominated in pounds sterling and as such the Company has no exposure to foreign currency risk.

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

At the year end, if the currency had fluctuated by +/- 25 basis points against the EUR, with all other variables held constant, post tax profit would have changed by an insignificant amount primarily due to assets/liabilities denominated in EUR.

Foreign currency risk - carrying amount

	2019 €'000	2018 €'000
Hire purchase receivables	3,882	4,715
Amounts due from group undertakings	7	27
Financial assets	3,889	4,742
<hr/>		
	2019 €'000	2018 €'000
Amounts due to group undertakings	3,879	4,712
Financial liabilities	3,879	4,712

20.5 Fair values of financial assets and liabilities

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

Valuation of financial assets and liabilities

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

Level 1 portfolios

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

Level 2 portfolios

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

Level 3 portfolios

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments are valued using various valuation techniques that require significant management judgment in determining appropriate assumptions, including earnings multiples and estimated future cash flows.

Notes to the financial statements (continued)

For the year ended 31 December 2019

20. Financial risk management (continued)

20.5 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 31 December 2019	Level 1 £'000	Level 2, £'000	Level 3 £'000	Total £'000
Total derivative financial instruments (note 20.6)	-	376	-	376
	-	376	-	376
At 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Total derivative financial instruments (note 20.6)	-	339	-	339
	-	339	-	339

The fair value of current liabilities approximates their carrying values.

20.6 Derivative financial instruments

The principal derivatives used by the Company are interest rate swaps to hedge against fluctuations in interest rates. An interest rate swap is an agreement between two parties to exchange fixed and floating rate payments, based upon interest rates defined in the contract.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and variable rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the borrowings utilised to fund existing finance lease agreements.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the 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 amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

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

The increase in the fair value liability, net of tax, of £29,000 (2018: £223,000 decrease) has been recognised in the Statement of comprehensive income. The table below analyses the fixed interest payable on the swaps by due date.

	Contractual/ Notional amount £'000	Fair values Assets £'000	Fair values Liabilities £'000
31 December 2019			
Interest rate swaps	32,641	-	376
	32,641	-	376
31 December 2018			
Interest rate swaps	30,123	81	420
	30,123	81	420

Notes to the financial statements (continued)

For the year ended 31 December 2019

21. Events since the Balance sheet date

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

22. Future developments

The following pronouncement is not applicable for the year ending 31 December 2019 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK CORPORATE ASSET FINANCE (HP) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank Corporate Asset Finance (HP) Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANKCORPORATE ASSET FINANCE (HP) LIMITED
(CONTINUED)**

Director's 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 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of Directors' Responsibilities Statement 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 members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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



Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
09 September 2020