Classification: Confidential

Company Registration No. 05718481

Gresham Receivables (No. 11) UK Limited

Report and Financial Statements

For the year ended 31 December 2020

Gresham Receivables (No. 11) UK Limited

Report and financial statements 2020

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Officers and professional advisers

Directors
Wilmington Trust SP Services (London) Limited
Daniel Jonathan Wynne
Ioannis Kyriakopoulos

Secretary
Wilmington Trust SP Services (London) Limited

Bankers
The Bank of New York Mellon
One Canada Square
London
E14 5AL

Registered office
C/O Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

Gresham Receivables (No. 11) UK Limited

Strategic report

Principal activities and review of the business

Gresham Receivables (No. 11) UK Limited (the "Company"), a limited Company, was formed on 22 February 2006. The Company is a special purpose vehicle sponsored by Lloyds Bank plc which purchases investments backed by eligible receivables. These are funded through borrowings from Cancara Asset Securitisation Limited, Lloyds Bank plc or Bank of Scotland plc. The borrowings are collateralized by the purchased assets.

Cancara Asset Securitisation Limited is a special purpose vehicle in a conduit programme (the "Programme") sponsored by Lloyds Bank plc, which issues United States of America Commercial Paper and European Commercial Paper, the proceeds of which are advanced to associated purchaser companies which in turn acquire financial assets.

Shortly after formation, the Company entered into several agreements including an Administration Agreement and a Commissioning Agreement. Pursuant to the original agreements and subsequent amendments, the Company engaged Lloyds Bank plc to provide administration, structuring, documenting, monitoring and surveillance services. Lloyds Bank plc is compensated as Administrative Agent. Wilmington Trust SP Services (London) Limited provides corporate administration services to the Company pursuant to a corporate services agreement, for which it receives compensation.

In March 2019, following the closing of a program amendment, the Programme's rating was reaffirmed as A-1sf by Standard & Poor's, P-1sf by Moody's and F1sf by Fitch Ratings. Lloyds Bank plc and Bank of Scotland plc provide full support liquidity facilities which may be drawn as an alternative or alongside the issuance of commercial paper by Cancara Asset Securitisation Limited.

The company has been dormant as defined by section 1169 of the Companies Act 2006 throughout the year. It is anticipated that the Company will remain dormant for the foreseeable future.

Communities and the Environment

Due to its limited physical presence, the Company has a minimal direct impact on the community and the environment, it does however continue to support Lloyds Banking Group plc's related initiatives. Further information in respect of Lloyds Banking Group plc's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report of the Lloyds Banking Group plc's Annual Report and Accounts for the year ended 31 December 2020 which does not form part of this report. Additional information on Lloyds Banking Group plc's Helping Britain Prosper Plan is available on the Lloyds Banking Group plc website.

Future prospects

The Administrative Agent has actively continued to identify new customer transactions which could be funded through the Programme.

Results and key performance indicators

The loss for the year was $nil (2019: $nil). The directors propose the payment of a dividend of $nil (2019: $nil).

The key performance indicator for the Company is the performance of the investments held which is measured through the impairment of the Investments. The investments continue to perform satisfactorily and there have been no material impairment provisions recognised in the year.

Principal risks and uncertainties

The Company's principal exposures to risk arise from its financial instruments held. The Company's financial instruments comprise principally amounts due from investments. Cash, accrued interest income, accrued interest payable and other items arise directly from the Company's operations. Further detail on financial instruments and their associated risks has been included in the notes to the financial statements.

Brexit

The effects on the UK, European and global economies following the UK's exit from the EU and the impact of the EU-UK Trade and Cooperation Agreement signed on 30 December 2020 (the "EU-UK TCA") remain difficult to predict but may include economic and financial instability, constitutional instability in the UK and other types of risks that could adversely impact the business of Lloyds Banking Group, results of operations, financial condition and prospects.

Going concern

In order to form a view of the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will be able to continue trading for at least twelve months from the date of signing of the financial statements.

The Company monitors the current situation regarding the rapid transmission of COVID-19 and has considered the current economic developments in order to form a view of the impact of COVID-19 to the business and the environment in which it operates. COVID-19 has not significantly impacted the operations of the Cancara programme or its ability to fund the assets held by the Gresham entities. Some of the sectors and underlying businesses to which the programme lends, particularly the Automotive sector, have been impacted by the pandemic, resulting in reduced volumes of transactions and client funding requirements. The programme continues to monitor the credit risk of its lending transactions, reflecting any deteriorations in the financial statements of the relevant Gresham receivable entities.

Gresham Receivables (No. 11) UK Limited
Strategic report (continued)

The Company is part of the Cancara Programme of the Lloyds Banking Group Plc ('LBG') or ('Group') as one of the purchaser companies collectively known as 'Greshams' to which Cancara Asset Securitisation Limited provides funding through the issuance of commercial paper in the asset backed commercial paper market. The going concern assumption of the Cancara Programme is validated by the provision of full support liquidity facilities provided by Group entities, Lloyds Bank plc and Bank of Scotland plc, to the Greshams. Where the programme is unable to access external commercial paper funding, these liquidity facilities would be drawn on and would be expected to bear any credit losses that arose on the Gresham receivable assets – though, as highly-rated secured assets, the expected credit losses on these assets remain at a low level.

The Directors have considered the going concern assessment of LBG at a consolidated level, which incorporates the capital and funding requirements of the Cancara Programme. It is in the Directors' view that the going concern assessment of LBG illustrates the Group's ability to continue as a going concern and support the Cancara programme in a stressed scenario. As a result, the Directors are of the view that the Company will continue to be a going concern and accordingly the Company's financial statements have been prepared on a going concern basis.

Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited
Company Secretary
16 December 2021

Gresham Receivables (No. 11) UK Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2020. The future prospects and developments are disclosed in the strategic report.

Financial Risks

As discussed in note 6, structured transactions such as securitizations involve risks including but not limited to (1) credit risk; (2) market risk and (3) liquidity risk.

Subsequent events

As discussed in note 11, the directors have reviewed subsequent events.

Results, dividends and transfers to reserves

As referenced in the strategic report, the loss for the year was $nil (2019: $nil). The directors propose the payment of a dividend of $nil (2019: $nil). Dividends are not paid during the year they are proposed.

Ultimate controlling party

The directors consider the ultimate parent company is Lloyds Banking Group plc which is the parent undertaking of the largest group of undertakings for which group accounts are drawn and of which the Company is a member.

Directors and their interests

The following directors held office throughout the year and subsequently:
Wilmington Trust SP Services (London) Limited
Daniel Jonathan Wynne
Ioannis Kyriakopoulos

Directors' indemnities

Third party indemnity provisions for the benefit of the directors were in force during the period under review and remain in force as at the date of approval of the annual reports and financial statements.

Gresham Receivables (No. 11) UK Limited

Directors' report (continued)

Approved by the Board of Directors and signed on behalf of the Board

Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited
Company Secretary
16 December 2021

Gresham Receivables (No. 11) UK Limited

Directors' responsibilities statement

The directors are responsible for preparing the Directors' and Strategic Reports and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

This responsibility statement was approved by the board of directors on 16 December 2021 and is signed on its behalf by:

Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited

Gresham Receivables (No. 11) UK Limited

Statement of comprehensive income

For the year ended 31 December 2020

	2020	2019
	$	$
Interest income	-	2,105,187
Fee and other income	-	398,635
Total income	-	2,503,822
Interest expense (note 2)	-	2,133,190
Non-interest expenses	-	370,632
Total expenses	-	2,503,822
Net loss before taxes (note 9)	-	-
Income tax expense (note 9)	-	-
Comprehensive loss	-	-

All activities in the current and preceding year relate to continuing activities.
There was no other comprehensive income in the current period.

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

Gresham Receivables (No. 11) UK Limited

Statement of financial position

As at 31 December 2020

	31 December 2020	31 December 2019
	$	$
Assets		
Cash and cash equivalents	**2**	2
Other assets	**12,284**	17,038
	12,286	17,040
Liabilities and equity		
Liabilities		
Accounts payable and accrued liabilities	**12,284**	17,038
	12,284	17,038
Equity		
Called up share capital (note 7)	**2**	2
Retained earnings	**-**	-
Shareholders' deficit	**2**	2
	12,286	17,040

For the year ending 31 December 2020:

• the company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies;
• The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
• The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements of Gresham Receivables (No.11) UK Limited, Company Registration (05718481), have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime and were approved and authorised for issue by the directors and signed on its behalf by:

Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited

Director

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

Gresham Receivables (No. 11) UK Limited

Statement of changes in equity

For the year ended 31 December 2020

	2020	2019
	$	$
Shareholders' funds beginning of year	**2**	1,279
Comprehensive income	**-**	-
Dividends	-	(1,277)
Shareholders' funds, end of year	**2**	2

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

Gresham Receivables (No. 11) UK Limited

Statement of cash flow

For the year ended 31 December 2020

	2020	2019
	$	$
Operating activities		
Interest and fee revenues received	-	3,035,361
Interest paid	-	(2,133,190)
Non-interest expenses (reimbursed) paid	**4,754**	1,477,618
Net cash provided by operating activities	**4,754**	2,379,789
Investing activities		
Net purchase of financial assets at amortised cost	-	371,250,000
Net cash used in investing activities	-	371,250,000
Financing activities		
Net repayment to liquidity provider	-	(21,250,000)
Net repayment to issuer	**(4,754)**	(352,392,179)
Dividends	-	(1,277)
Net cash used in financing activities	**(4,754)**	(373,643,456)
Net decrease in cash during the year	-	(13,667)
Cash, beginning of year	**2**	13,669
Cash, end of year	**2**	2

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

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2020

1. **Organisation**

Gresham Receivables (No. 11) UK Limited (the "Company") was incorporated on 22 February 2006. The Company is a private limited company limited by shares. The Company is a special purpose vehicle sponsored by Lloyds Bank plc which purchases investments backed by eligible receivables. These are funded through borrowings from Cancara Asset Securitisation Limited, Lloyds Bank plc or Bank of Scotland plc. The borrowings are collateralized by the purchased assets.

Shortly after formation, the Company entered into several agreements including an Administration Agreement and a Commissioning Agreement. Pursuant to the original agreements and subsequent amendments, the Company engaged Lloyds Bank plc to provide administration, structuring, documenting, monitoring and surveillance services. Lloyds Bank plc is compensated as Administrative Agent. Wilmington Trust SP Services (London) Limited provides corporate administration services to the Company pursuant to a Corporate Services Agreement, for which it receives compensation.

The registered office of the Company is C/O Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The Company registration number is 05945382.

2. **Significant Accounting policies**

Basis of Preparation

The financial statements for the period ended 31 December 2020 comply with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). IFRS comprises 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 and its predecessor body.

The financial statements are presented in US Dollars which is the Company's functional and presentation currency and have been prepared on the historical cost basis. As stated on page 4, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

2. **Significant Accounting policies (continued)**

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The Gresham receivable assets are all highly-rated secured assets and therefore, the expected credit losses remain at a low level. On this basis, there have been no critical accounting judgements and sources of estimation and uncertainty which have been used in the current or prior reporting period.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit, overdrafts are liabilities. Due to the short-term nature, carrying value of cash and cash equivalents approximate their fair values.

Financial assets and liabilities

On initial recognition, financial assets are 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 model based on its objectives for the relevant assets, how the performance of the assets is managed and reported, and the frequency of asset sales.

Financial liabilities are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

The Company initially recognises loans and advances, deposits, debt securities in issue and subordinated liabilities when the Company becomes a party to the contractual provisions of the instrument.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2020

2. **Significant Accounting policies (continued)**

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 assets at amortised cost

The Company holds eligible receivables in a business model whose objective is to hold financial assets in order to collect contractual cash flows and, where the cash flows represent solely payments of principal and interest, they are eligible to be accounted for at amortised cost. They are initially measured at the amount of the advance being fair value and subsequently measured at amortised cost.

Advances from issuer Company

Borrowings from Cancara Asset Securitisation Limited under a commissioning agreement are at amortized cost. Interest expense is recorded on an accrual basis. The interest incurred on advances from the issuer Company is recorded as interest expense on a straight-line basis over the term of the advances which approximates the effective interest method due to their short-term maturities.

Interest income and expense

Interest income and expense are recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the financial instrument.

The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability, including early redemption fees, and related penalties, and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account.

2. **Significant Accounting policies (continued)**

Interest income from non-credit impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses. Impairment policies are set out below.

Interest revenues are recognized on a straight-line basis over the related funding period which approximates the effective interest method due to their short-term maturities.

Fee income and expense

Fees receivable which are not an integral part of the effective interest rate are recognised as income as the Company fulfils its performance obligations. The primary sources of the Company's revenues are finance charges on the eligible receivables and fees due from originators in connection with its activities.

Impairment

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses. Expected credit losses are recognised for financial assets held at amortised cost and loan commitments.

Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) 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 (or provision) 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.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2020

2. **Significant Accounting policies (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 watchlists and other indicators of historic delinquency. 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 origination, 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.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into United States dollars at year-end rates. Revenues and expenses in foreign currencies are translated into United States dollars at the rate at the date of transaction. Realized and unrealized gains from foreign currency translation are included in interest expense in the Statement of comprehensive income.

Capital management

The Company's capital is comprised of nominal equity. The Company is structured so that the assets are expected to provide the Company with a return sufficient to pay its obligations under the short-term financing and expenses incurred.

The financial statements have been prepared on a going concern basis. The Company has the benefit of a committed limited recourse liquidity facility with Lloyds Bank plc which can be drawn down in the event that Cancara Asset Securitisation Limited is unable to issue commercial paper and therefore provide the funding for the Company.

In the event that Lloyds Bank plc was not to renew its commitments whilst a transaction is outstanding, the available facility amount could be drawn in full by the Company to ensure it remains in a position to meet obligations under the transaction. Under the terms of the liquidity facility agreements, the Company is only obliged to repay the drawn down amount from the facility to Lloyds Bank plc to the extent that it has funds available for such purpose.

2. **Significant Accounting policies (continued)**

The eligible assets are structured to incorporate credit enhancement to mitigate a stressed level of defaults in the underlying assets. In the event that the performance of the assets held deteriorates, triggers are in place which provide for draws on their committed limited recourse liquidity facilities.

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.

This company is taxable under the interim securitisation companies regime in accordance with The Securitisation Companies (Application of Section 83(1) of The Finance Act 2005: Accounting Standards) (Amendment) Regulations 2016. For corporation tax purposes, this company is therefore deemed to prepare its accounts under UK GAAP prior to the introduction of international accounting standards.

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.

Future accounting changes

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023. This is not expected to have any impact on the Company.

Interest Rate Benchmark Reform

The IASB's Phase 2 amendments in response to issues arising from the planned replacement of interest rate benchmarks in a number of jurisdictions are effective for annual periods beginning on or after 1 January 2021.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2020

2. **Significant Accounting policies (continued)**

Under these amendments, an immediate gain or loss is not recognised in the income statement where the contractual cash flows of a financial asset or financial liability are amended as a direct consequence of the rate reform and the revised contractual terms are economically equivalent to the previous terms. In addition, hedge accounting is continued for relationships that are directly affected by the reform. These amendments are not expected to have a significant impact on the Company.

The Cancara programme, in conjunction with Lloyds Banking Group's wider IBOR transition programme, continues to monitor the assets in the Gresham entities as they transition toward risk free rates. This transition will be achieved through scheduled refinances or activation of existing fallback provisions in customer contracts. It is not expected that this will have any significant impact on the Company.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). These amendments are not expected to have a significant impact on the Company.

3. **Fair value of financial instruments**

In accordance with IFRS 13, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the observability of the inputs used to measure fair value:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets;
Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly; and
Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair value of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

As at 31 December 2020 the Company had no financial instruments classified as Level 1 Level 2 or Level 3. There were no transfers between Level 1, 2 or 3 during 2020.

The carrying value of all financial instruments, as disclosed in the Company's statement of financial position as at 31 December 2020, approximate their fair value because such instruments are short-term in nature and/or bear variable interest rates.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2020

4. Financial assets at amortised cost

The Company's financial assets at amortised cost are eligible receivables purchased by the Company. The eligible receivables purchased by the Company were pledged as security for the Company's borrowings from Cancara Asset Securitisation Limited. The total purchase commitments in place by the Company as at 31 December 2020 and 2019 equaled $nil and $nil respectively.

The outstanding eligible receivables of the Company as at 31 December 2020 were nil.

There were no outstanding eligible receivables as at 31 December 2020.

Assuming no prepayments, the Company's eligible receivable are anticipated to be collected as follows:

	$
2021	-
2022	-
2023	-
2024	-
2025	-
	-

There were no overdue amounts due to the Company as at 31 December 2020 and 31 December 2019.

The company had a no gross asset balance of financial assets held at amortised cost of $nil. All assets are regarded as stage 1 for impairment purposes, and have remained as stage 1 over the course of the period.

The 12-month expected credit loss held against these assets, and associated undrawn facilities, was $nil at 31 December 2020. The movement in the provision during the period, an increase of $nil was recognised in the Statement of comprehensive income.

5. **Advances from issuer Company**

Advances from issuer Company are amounts funded to the Company by Cancara Asset Securitisation Limited under the commissioning agreement. These amounts are initially stated at fair value on initial recognition which is equal to the amount of proceeds received. The carrying amount is increased by the finance cost in respect of the reporting period and reduced by payments made.

All of the outstanding advances from the issuer Company as at 31 December 2020 were due in one year or less, or on demand, dependent on cash receipts from the assets. Please refer to note 6 for the advances from issuer Company maturity analysis.

6. **Nature and extent of risks arising from financial instruments**

Structured transactions such as securitizations involve risks including but not limited to (1) credit risk; (2) market risk and (3) liquidity risk. Credit risk is the risk of payment default or non-cash adjustments to receivable balances. Liquidity risk is the risk that funds will not be available to repay outstanding advances and that there will be a draw under the applicable liquidity or credit facility. Market risk incorporates interest rate risk, currency risk and other risks, including disruptions in the asset backed commercial paper market. Further discussion on each of these risks follows:

a) Credit risk

Credit risk refers to the risk that the eligible receivables will not be repaid to the Company. The credit risk associated with the cash and cash equivalents line is deemed to be minimal due to the credit quality of the counterparties with which the cash is held.

The credit risk faced by the Company is that the receivables acquired by the Company will default, thereby impairing the Company's ability to meet its obligations under short-term borrowings. The default risk is reduced through a combination of over-collateralisation measures and the imposition of transaction triggers.

As at 31 December 2020 and 2019, the Company's maximum exposure to credit risk totals $nil and $nil, respectively.

<u>Allowance for impairment losses</u>

Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

6. Nature and extent of risks arising from financial instruments (continued)

The calculation of the Company's expected credit loss (ECL) allowances and provisions against loan commitments 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 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. The definition of default adopted by the Company is aligned to the Lloyds Banking Group impairment policy, details of which are available in the Lloyds Banking Group financial statements.

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. A doubling of PD with a minimum increase in PD of 1 per cent and a resulting change in the underlying grade is treated as a SICR. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due. The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

b) Interest rate risk

Interest rate risk arises from the mismatches between the maturities of interest rate sensitive assets and interest rate sensitive liabilities. The Company has minimised the interest rate risk by matching interest terms of assets and liabilities. During the year, all of the Company's borrowings and assets were at floating rates.

If interest rates had been 10 basis points higher during the year ended 31 December 2020, interest expense would have been approximately $nil higher, and interest revenue would have been approximately $nil higher, resulting in no change to net profit.

If interest rates had been 10 basis points lower during the year ended 31 December 2020, interest expense would have been approximately $nil lower, and interest and fee revenue would have been approximately $nil lower, resulting in no change to net profit.

6. Nature and extent of risks arising from financial instruments (continued)

c) Currency risk

The Company provides asset securitisation financing to companies operating in OECD countries. These relevant funding agreements are denominated in the operating currencies of the customers involved.

The Company's policy is to manage currency exposures on transactions. This is achieved through matching, as far as it is possible, assets and liabilities in order to reduce the net exposure to movements in foreign exchange rates.

d) Liquidity risk

Funding has been obtained through Cancara Asset Securitisation Limited. Repayments on these advances are dependent on cash receipts from the eligible receivables. Cancara Asset Securitisation Limited has limited recourse to the assets pledged under the terms of the Commissioning Agreement. The Company also has the benefit of a limited recourse liquidity facility which can be drawn upon should there be any timing gaps on the availability of borrowing.

In the addition to the purchase commitments discussed in note 4, in the normal course of business the Company enters into contracts that give rise to commitments of future payments that affect the Company's short-term and long-term liquidity. The following table provides a summary of the Company's primary contractual funding commitments:

	Within 1 year	**31 December 2020**
	$	$
Accrued expenses and other liabilities	12,284	**12,284**
	12,284	**12,284**

	Within 1 year	**31 December 2019**
	$	$
Accrued expenses and other liabilities	17,038	**17,038**
	17,038	**17,038**

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6. Nature and extent of risks arising from financial instruments (continued)

The following table provides a summary of the Company's expected asset recovery.

	Within 1 year	1 year to 3 years	4 years to 5 years	**31 December 2020**
	$	$	$	$
Accrued interest and fees receivable	-	-	-	-
Financial assets at amortised cost	-	-	-	-
	-	-	-	-

	Within 1 year	1 year to 3 years	4 years to 5 years	31 December 2019
	$	$	$	$
Accrued interest and fees receivable	-	-	-	-
Financial assets at amortised cost	-	-	-	-
	-	-	-	-

The net funding gap between loan assets and liabilities is overcome by the roll forward of the commercial paper in Cancara Asset Securitisation Limited and fundings from Lloyds Bank plc or Bank of Scotland plc, which facilitates the funding in the Company.

e) Market Risk

The liquidity arrangements noted above mitigate market risks associated with disruptions in the asset backed commercial paper market that would result in an inability of the Issuer to refinance any of its maturing commercial paper obligations.

7. Ultimate controlling party

The shares in the Company are held by Wilmington Trust SP Services (London) Limited under a declaration of trust for charitable purposes. There is one authorized share of £1 allotted, called up and fully paid as of 31 December 2020.

In accordance with the requirements of IFRS 10 "Consolidated Financial Statements" the Company's financial statements are consolidated within the group financial statements of Lloyds Banking Group plc for the year ended 31 December 2020.

The Company regarded by the directors as the ultimate parent Company of the Company is Lloyds Banking Group plc which is the parent undertaking of the largest group of undertakings for which group accounts are drawn and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the Company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

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8. Related party transactions

Corporate administration services are provided to the Company by Wilmington Trust SP Services (London) Limited. The directors' fees are included in the corporate administration services fee. The fees charged in 2020 were $12,615 (2019: $16,441).

Also, Lloyds Bank plc acts in various capacities under the conduit programme documents including as the overdraft provider, a liquidity provider and a hedge counterparty. The Company had the following transactions with Lloyds Bank plc in the year:

	2020 - $	2019 - $
Liquidity and administration expense	(12,615)	215,687
Interest expense	-	248,663

The Company had the following transactions outstanding with Lloyds Bank plc at the year end :

	31 December 2020 - $	31 December 2019 - $
Accounts receivable	-	-

Also, Bank of Scotland plc acted as a liquidity provider to the Company during the financial year. The Company had the following transactions with Bank of Scotland plc in the year:

	2020 - $	2019 - $
Liquidity expense	-	136,354
Interest expense	-	247,001

The Company had the following transactions outstanding with Bank of Scotland plc at the year end:

	31 December 2020 - $	31 December 2019 - $
Accounts payable	-	-

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8. Related party transactions (continued)

In addition, the Company had secured short-term borrowings from Cancara Asset Securitisation Limited, which are fellow members of the group headed by Lloyds Banking Group plc, and had the following interest expense on those borrowings in the year:

	2020 - $	2019 - $
Interest expense	-	1,637,470

The Company had the following secured short-term borrowings outstanding with Cancara Asset Securitisation Limited at year end:

	31 December 2020 - $	31 December 2019 - $
Short-term borrowings	(12,284)	(17.038)

9. Income tax expense

For the period ended 31 December 2020, the Company shows net profit before taxes of $nil (2019: $nil) and income tax expense of $nil (2019: $nil).

10. Auditor's Remuneration

	2020 - $	2019 - $
Fees payable to the company's auditor for the audit of the company's annual accounts	-	1,184

11. Subsequent events

There was no adjusting event to the Company's financial statements as of 31 December 2020.