

Company Registration No. 09505430

Gresham Receivables (No. 38) UK Limited

Report and Financial Statements

For the period from incorporation on 24 March 2015 to 31 December 2015



Gresham Receivables (No. 38) UK Limited

Report and financial statements 2015

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Gresham Receivables (No. 38) UK Limited
Report and financial statements 2015
Officers and professional advisers

Directors

Mark Filer

Wilmington Trust SP Services (London) Limited

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

Auditor

Deloitte LLP

Chartered Accountants

London

Gresham Receivables (No. 38) UK Limited

Strategic report

Principal activities and review of the business

Gresham Receivables (No. 38) UK Limited (the “Company”) , a limited liability Company, was formed on 24 March 2015. 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. 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 August 2015 and May 2016, the Programme’s rating was reaffirmed as A-1sf by Standard & Poor’s. In July 2015, the Programme’s rating was reaffirmed as P-1sf by Moody’s. In January 2015 and December 2015, the Programme’s rating was reaffirmed as F1sf by Fitch Ratings.

In December 2014, certain amendments were made to the Programme to give certain risk retention undertakings as a result of the implementation of certain EU directives and to remove the Programme-wide Letter of Credit in April 2015. The conversion of the Programme to full support in December 2014, with credit enhancement continuing to be provided through the liquidity facilities permitted the removal of the Letter of Credit with no adverse impact to asset backed commercial paper investors in the Programme.

There is no significant change expected in the future to the activities of the Company.

Results and key performance indicators

The profit for the period was \$1,482. The directors propose the payment of a dividend of \$1,482.

The key performance indicator for the Company is the performance of the investments held. The investments continue to perform satisfactorily and there are \$nil impairment on the Company’s investments at period-end.

Gresham Receivables (No. 38) UK Limited

Strategic report (continued)

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.

Going concern

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 funding for the Company.

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



Mignon Clarke for Wilmington Trust SP Services (London) Limited

Company Secretary

24th June 2016

Gresham Receivables (No. 38) UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2015. These are the Company's first financial statements and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Principal activities

As referenced in the strategic report, Gresham Receivables (No. 38) UK Limited ("the Company"), a limited liability Company, was formed on 24 March 2015. The Company is a special purpose vehicle sponsored by Lloyds Bank plc which purchases investments backed by eligible receivables (the classification of eligible receivables at 31 December 2015 included mortgages). These are funded through borrowings from Cancara Asset Securitisation Limited. The borrowings are collateralized by the purchased assets.

Future prospects

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

Results, dividends and transfers to reserves

As referenced in the strategic report, the profit for the period was \$1,482. The directors propose the payment of a dividend of \$1,482.

Directors and their interests

The following directors held office throughout the period and subsequently:

Mark Filer

Wilmington Trust SP Services (London) Limited

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Gresham Receivables (No. 38) UK Limited

Directors' report (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP will be the auditor of the Company for the forthcoming financial period under the provisions of section 386(2) of the Companies Act 2006.

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



Mignon Clarke for Wilmington Trust SP Services (London) Limited

Company Secretary

24th June 2016

Gresham Receivables (No. 38) UK Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare 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 these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRESHAM RECEIVABLES (No. 38) UK LIMITED

We have audited the financial statements of Gresham Receivables (No. 38) UK Limited for the period ended 31 December 2015 which comprise of Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

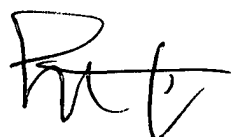
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Simon Stephens FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 June 2016

Gresham Receivables (No. 38) UK Limited

Statement of comprehensive income

Period from incorporation on 24 March 2015 to 31 December 2015

	2015
	\$
Interest income (note 4)	936,217
Fee and other income (note 4)	2,981,445
Total income	3,917,662
Interest expense (note 5)	641,229
Non-interest expenses	3,274,483
Total expenses	3,915,712
Net profit before taxes	1,950
Income tax expense (note 10)	468
Comprehensive income	1,482

All activities in the current and preceding period relate to continuing activities.
There were no recognized gains or losses other than the profit for the period.

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

Gresham Receivables (No. 38) UK Limited

Statement of financial position

As at 31 December 2015

	31 December 2015	\$
Assets		
Cash and cash equivalents	1,679	
Accrued interest and fees receivable	359,854	
Loans and receivables (note 4)	406,923,327	
	407,284,860	
Liabilities and equity		
Liabilities		
Accounts payable and accrued liabilities	509,065	
Advances from issuer Company (note 5)	406,774,311	
	407,283,376	
Equity		
Called up share capital (note 8)	2	
Retained earnings	1,482	
Shareholders' funds	1,484	
	407,284,860	

These financial statements of Gresham Receivables (No. 38) UK Limited, registration number 09505430, were approved and authorised for issue by the Board of Directors on 24th June 2016.

Signed on behalf of the Board of Directors



Mignon Clarke for Wilmington Trust SP Services (London) Limited
Director

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

Gresham Receivables (No. 38) UK Limited

Statement of changes in equity

Period from incorporation on 24 March 2015 to 31 December 2015

	2015	
		\$
Shareholders' funds, beginning of period	-	
Contributions	2	
Comprehensive income	1,482	
Dividends	-	
Shareholders' funds, end of period	1,484	

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

Gresham Receivables (No. 38) UK Limited

Statement of cash flow

Period from incorporation on 24 March 2015 to 31 December 2015

	2015
	\$
Operating activities	
Interest and fee revenues received	3,557,808
Interest paid	(641,229)
Non-interest expenses paid	(2,765,886)
	150,693
Investing activities	
Net funding of loans and receivables	(406,923,327)
	(406,923,327)
Financing activities	
Net advances from issuer	406,774,311
Contributions	2
Dividends	-
	406,774,313
Net increase in cash during the year	1,679
Cash, beginning of period	-
Cash, end of period	1,679

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

Gresham Receivables (No. 38) UK Limited**Notes to financial statements****Period from incorporation on 24 March 2015 to 31 December 2015****1. Organisation**

Gresham Receivables (No. 38) UK Limited (the "Company") is a limited liability Company which was incorporated on 24 March 2015. 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. 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.

2. Significant Accounting policies**Functional and reporting currency**

The functional and reporting currency of the Company is the United States Dollar.

Statement of Compliance

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

2. Significant Accounting policies (continued)

The accounting policies set out below were consistently applied throughout the entire period and are based on IFRSs issued and effective as of 1 January 2015.

Future accounting changes

We are currently assessing the impact of adopting the following standard on our financial statements:

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the complete version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. All financial assets, including hybrid contracts, are measured as at Fair Value Through the Profit and Loss, fair value through OCI or amortized cost. For financial liabilities, IFRS 9 includes the requirements for classification and measurement previously included in IAS 39.

IFRS 9 also introduces an expected loss impairment model for all financial assets not as at FVTPL. The model has three stages: (1) on initial recognition, 12-month expected credit losses are recognized in profit and loss and a loss allowance is established; (2) if credit risk increases significantly and the resulting credit risk is not considered to be low, full lifetime expected credit losses are recognized; and (3) when a financial asset is considered credit-impaired, interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than its gross carrying amount.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

2. Significant Accounting policies (continued)

Finally, IFRS 9 introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with an entity's risk management activities.

IFRS 9 will be effective for the Company no later than January 1, 2018.

Critical judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the reporting period. However, actual results could differ from those estimates. The most significant estimate for the Company is the value and collectability of the loans and receivables, which is further discussed in note 3 and 4. Management is also required to make critical judgements in preparation of these financial statements. As discussed in Note 7, critical judgement has been made in the non-consolidation of the structured entities.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit. Due to the short-term nature, amortized costs of cash and cash equivalents approximate their fair values.

Loans and receivables

Eligible receivables purchased by the Company are classified as loans and receivables. The loans and receivables are initially measured at the amount of the advance and subsequently measured at amortised cost. The primary sources of the Company's revenues are finance charges on the eligible receivables, discount amortization on the eligible receivables and fees due from originators in connection with its activities. Interest and fee 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.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

2. Significant Accounting policies (continued)

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.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into United States dollars at period-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.
- 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.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

2. Significant Accounting policies (continued)

Income Taxes

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively been enacted by the statement of financial position date. Deferred tax is recognised in respect of all timing differences that have originated but not realised at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

The Company's taxable profits are calculated in accordance with the *Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)* and disclosed in accordance with IAS 12 "Income Taxes". All fair value adjustments are ignored for taxation purposes as tax is assessed on the cash retained as profit in the Company.

The Finance Act 2013 which was substantively enacted on 2 July 2013 reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020.

On 16 March 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be 17%. The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for, during 2016.

3. Fair value of financial instruments

The Company's financial instruments comprise cash and cash equivalents, accrued interest and fees receivable, loans and receivables, advances from issuer Company and accounts payable that arise directly from its operations. These financial instruments are classified in accordance with the principles of IAS 39 as described below.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

3. Fair value of financial instruments (continued)

Loans and receivables are recognised initially at fair value. Subsequent to initial recognition, loans and receivables are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of comprehensive income over the period of the borrowings on an effective interest basis.

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 2015 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 2015.

The carrying value of financial instruments, including loans and receivables, as disclosed in the Company's statement of financial position as at 31 December 31 2015, approximate their fair value because such instruments are short-term in nature and/or bear variable interest rates.

The fair value and carrying amount of financial instruments not recorded at fair value on the balance sheets at 31 December 2015 are as follows:

	2015	
	Carrying amount	Fair value
	\$	\$
Financial assets:		
Cash and cash equivalents	1,679	1,679
Accrued interest and fees receivable	359,854	359,854
Loans and receivables	406,923,327	406,923,327
Financial liabilities:		
Accounts payable and accrued liabilities	509,065	509,065
Advances from issuer company	406,774,311	406,774,311

Gresham Receivables (No. 38) UK Limited**Notes to financial statements****Period from incorporation on 24 March 2015 to 31 December 2015****4. Loans and receivables**

The Company's loans and receivable 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 2015 equalled \$410,965,917.

All of the outstanding eligible receivables of the Company as at 31 December 2015 were denominated in Great Britain pounds.

All of the outstanding eligible receivables as at 31 December 2015 had a classification of mortgages.

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

	\$
2016	58,596,959
2017	348,326,368
2018	-
2019	-
2020	-
	<hr/> 406,923,327

There were no overdue amounts due to the Company as at 31 December 2015.

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 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 2015 were due in one period 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.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

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 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 2015, the Company's maximum exposure to credit risk totals \$407,283,181.

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 period, all of the Company's borrowings and assets were at floating rates.

If interest rates had been 10 basis points higher during the period ended 31 December 2015, interest expense would have been approximately \$185,000 higher, and interest revenue would have been approximately \$185,000 higher, resulting in no change to net loss.

If interest rates had been 10 basis points lower during the period ended 31 December 2015, interest expense would have been approximately \$185,000 lower, and interest and fee revenue would have been approximately \$185,000 lower, resulting in no change to net loss.

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.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

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

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 2015
	\$	\$
Accrued expenses and other liabilities	509,065	509,065
Advances from issuer company	406,774,311	406,774,311
	407,283,376	407,283,376

Gresham Receivables (No. 38) UK Limited**Notes to financial statements****Period from incorporation on 24 March 2015 to 31 December 2015****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 2015
	\$	\$	\$	\$
Accrued interest and fees receivable	359,854	-	-	359,854
Loans and receivables	58,596,959	348,326,368	-	406,923,327
	58,956,813	348,326,368	-	407,283,181

The net funding gap between loan assets and liabilities is overcome by the roll forward of the commercial paper in Cancara Asset Securitisation Limited, 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. Structured entities

Structured entities are entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are often created for a single, discrete purpose, have a limited life and serve to legally isolate the financial assets held by the entities from the selling organization. They are generally not operating entities and usually have no employees.

The Company has control over a structured entity when all of the following three conditions are satisfied: (i) it has decision making power over the relevant activities of the entity; (ii) it is exposed to variable returns from its involvement with the entity; and (iii) there is a link between its power and returns. The determination of control is continuously assessed based on the current facts and circumstances and requires the exercise of judgment.

For the period ended 31 December 2015, the Company did not have any interests in structured entities that give it power over the relevant activities, either directly or through another party acting as its agent. Accordingly, the Company does not control any structured entity in which it has an interest. None of the Company's interests in the unconsolidated structured entities are significant to require disclosure.

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

8. 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 2015.

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 period ended 31 December 2015.

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.

9. 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 2015 were \$4,098.

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 2015:

	<u>2015 - \$</u>
Liquidity and administration expense	3,229,035

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

	31 December
	<u>2015 - \$</u>
Accounts payable	500,619

Gresham Receivables (No. 38) UK Limited

Notes to financial statements

Period from incorporation on 24 March 2015 to 31 December 2015

9. Related party transactions (continued)

In addition, the Company had 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 2015:

	<u>2015 - \$</u>
Interest expense	683,903

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

	31 December
	<u>2015 - \$</u>
Short-term borrowings	406,774,311

10. Income tax expense

As discussed in note 2, the Finance Act 2013 which was substantively enacted on 2 July 2013 reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. For the period ended 31 December 2015, the Company shows net profit before taxes of \$1,950 and income tax expense of \$468.

11. Auditor's Remuneration

	<u>2015 - \$</u>
Fees payable to the company's auditor for the audit of the company's annual accounts	8,791