

ANNUAL REPORT

ANNUAL REPORT

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LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

Annual report and financial statements for the year ended 31 December 2015

Member of Lloyds Banking Group

Registered Number: 01107543

MONDAY



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SCT 27/06/2016 #324

COMPANIES HOUSE

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

DIRECTORS

C G Dowsett
G A Fox
R O Williams

COMPANY SECRETARY

M A A Johnson

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

BANKERS

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

01107543

DIRECTORS' REPORT

The directors present their report and audited financial statements of Lloyds Leasing (North Sea Transport) Limited ("the company") for the year ended 31 December 2015.

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

REVIEW OF BUSINESS

During the year, the principal activity of the company was the holding of investments in limited partnerships and this is likely to continue for the foreseeable future.

The results of the company show a profit before taxation of £25,029,000 (2014: £nil) for the year as set out in the statement of comprehensive income on page 6.

The company has shareholder's equity of £30,041,000 (2014: £10,779,000).

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2014: £nil).

DIRECTORS

The names of the directors of the company are shown on page 1. There were no changes in directors during the year.

No director had any interest in any material contract or arrangement with the company during or at the end of the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report 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 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, 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 applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Act. 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.

In accordance with Section 418 of the Act, 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
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the directors of the company, including former directors who resigned during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Act. The deed was in force during the whole of the financial year and at the date of approval of the financial statements (or from the date of appointment in respect of directors who joined the board of the company during the financial year). Directors no longer in office but who served on the board of the company at any time in the financial year had the benefit of this contract of indemnity during that period of service. 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.

INDEPENDENT AUDITORS' APPOINTMENT

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

PRINCIPAL RISKS AND UNCERTAINTIES

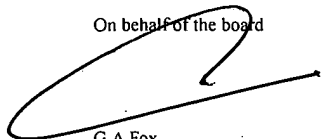
From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note 11 'Risk management of financial instruments' in these financial statements.

DIRECTORS' REPORT (CONTINUED)

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.

On behalf of the board



G A Fox
Director

Date:

23/06/2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

Report on the Financial Statements

Our Opinion

In our opinion, Lloyds Leasing (North Sea Transport) Limited's financial statements (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 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.

What we have audited

The financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2015;
- the balance sheet as at 31 December 2015;
- the statement of changes in shareholder's equity for the year then ended;
- cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

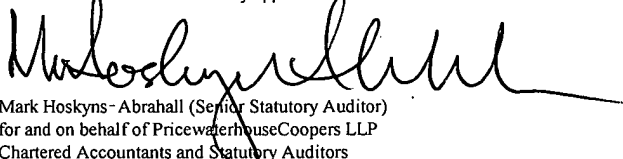
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED (CONTINUED)

What an audit of financial statements involves (continued)

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



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

Edinburgh

Date:

24/6/16

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Income from partnerships	2	27,937	-
		27,937	-
Impairment	3	(2,908)	-
Profit before taxation	4	25,029	-
Taxation (charge)/credit	5	(5,767)	199
Profit after taxation for the year		19,262	199
Profit after taxation and total comprehensive income for the year attributable to owners of the parent		19,262	199

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

BALANCE SHEET

As at 31 December 2015

	Note	2015 £000	2014 £000
Assets			
Non-current assets			
Investment in partnerships	6	67,482	70,390
Deferred taxation	9	<u>12</u>	<u>5,609</u>
Total non-current assets		<u>67,494</u>	<u>75,999</u>
Current assets			
Amounts owed by group companies	7	<u>-</u>	<u>100</u>
Total current assets		<u>-</u>	<u>100</u>
Total assets		<u>67,494</u>	<u>76,099</u>
Liabilities			
Current liabilities			
Amounts owed to group companies	8	<u>37,453</u>	<u>65,320</u>
Total current liabilities		<u>37,453</u>	<u>65,320</u>
Equity			
Share capital	10	5	5
Retained earnings		<u>30,036</u>	<u>10,774</u>
Total equity		<u>30,041</u>	<u>10,779</u>
Total liabilities and equity		<u>67,494</u>	<u>76,099</u>

The financial statements on pages 6 to 15 were approved by the Board of Directors on 23/06/2016 and signed on its behalf by:

G A Fox
Director

Registered Number: 01107543

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Retained £000	Total equity £000
Balance at 31 December 2013	10	5	10,575	10,580
Total comprehensive income for the year				
Profit for the year		-	199	199
Balance at 31 December 2014	10	5	10,774	10,779
Total comprehensive income for the year				
Profit for the year		-	19,262	19,262
Balance at 31 December 2015	10	<u>5</u>	<u>30,036</u>	<u>30,041</u>

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

LLOYDS LEASING (NORTH SEA TRANSPORT) LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Profit before taxation		<u>25,029</u>	<u>-</u>
Add non cash items:			
Impairment		<u>2,908</u>	<u>-</u>
Operating cash flows before movements in working capital		27,937	-
Increase/(decrease) in payables		<u>(27,937)</u>	<u>-</u>
Cash generated by operations		-	-
Group relief received/(paid)		<u>100</u>	<u>328</u>
Net cash flow from operating activities		<u>100</u>	<u>328</u>
Net increase/(decrease) in cash and cash equivalents		100	328
Cash and cash equivalents at beginning of the year		<u>(15,713)</u>	<u>(16,041)</u>
Cash and cash equivalents at end of the year		<u><u>(15,613)</u></u>	<u><u>(15,713)</u></u>
Cash and cash equivalents are comprised of:			
Bank overdraft	8	<u>(15,613)</u>	<u>(15,713)</u>
		<u><u>(15,613)</u></u>	<u><u>(15,713)</u></u>

The accompanying notes on pages 10 to 15 are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Lloyds Bank plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Intermediate parent undertaking

These separate financial statements contain information about Lloyds Leasing (North Sea Transport) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption under IAS 27 (revised), 'Consolidated and separate financial statements', from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Lloyds Bank plc.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

- Impairment

The company regularly reviews the portfolio of financial assets for impairment. In determining whether an impairment has occurred at the balance sheet date the directorship considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on repayments or values of underlying assets. Where this is the case, the impairment loss is measured in accordance with note 1(b) below.

1(a) Investments in limited partnerships

Income from investments in limited partnerships is recognised in accordance with the partnership agreement. Distributions in excess of partnership profits are treated as a reduction of partnership investment.

1(b) Impairment

At each balance sheet date the directorship assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of the estimated future cash flows discounted at the asset's implicit rate in the lease.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as a credit to the statement of comprehensive income.

1(c) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1(c) Taxation

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax related to fair value re measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

Deferred and current tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1(d) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

1(e) 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.

1(f) 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.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in equity as qualifying cash flow hedges.

2 Income from partnerships

2015	2014
£000	£000

Dividend received	27,937	-
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Income from partnerships represents the partnership profit attributable to the company based on its share of the distribution of the partnerships past profits as defined in the partnership agreement.

3 Impairment

2015	2014
£000	£000

Impairment	2,908	-
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Following impairment review, the carrying value of the investment in Kanaalstraat Funding C.V was written down to reflect the underlying share of net assets in the partnership.

4 Profit before taxation

Audit fees for the company are borne by the ultimate parent company which makes no recharge to the company.

The company has no employees (2014: nil) and the directors received no remuneration in respect of their services to the company (2014: £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.

5 Taxation (charge)/credit

2015	2014
£000	£000

The taxation charge for the year comprises:

Current tax (payable)/receivable on profit for the year	(170)	99
Adjustments in respect of prior year	-	-

Deferred taxation (note 9)	(170)	99
Impact of tax rate change (note 9)	(5,666)	107
	69	(7)

Total taxation (charge)/credit for the year	(5,767)	199
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NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Taxation (charge)/credit (continued)

Where taxation on the company's profit/(loss) for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 20.25% (2014: 21.5%), the differences are explained below:

	2015 £000	2014 £000
Profit before taxation	25,029	-
Tax at standard rate of corporation tax	(5,068)	-
Impact of tax rate change	69	(7)
Impairment of investments	(589)	-
Premenant difference on partnership profit	(179)	206
Total taxation (charge)/credit	(5,767)	199

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.

6 Investment in partnerships

	2015 £000	2014 £000
At beginning of the year	70,390	70,390
Impairment in value	(2,908)	-
At end of the year	67,482	70,390

This represents the company's investment, at cost, of a 99.9% interest as limited partner in Kanaalstraat Funding CV, a Dutch limited partnership which carries on business as a lessor of plant and equipment. The results of limited partnerships are consolidated in the group accounts of Lloyds Banking Group plc, which has a financial year end of 31 December 2015.

The company (as Limited Partner) is entitled to a percentage of the profits from its investment in the limited partnership, as defined in the partnership agreement. The share of retained losses in the partnership amounted to £23,000 (2014: surplus profits of £28,000,000).

7 Amounts owed by group companies

	2015 £000	2014 £000
Group relief receivable	-	100

For further details please refer to note 12.

8 Amounts owed to group companies

	2015 £000	2014 £000
Current liabilities:		
Amounts due to fellow group subsidiaries	21,670	49,607
Group relief payable	170	-
Bank overdraft	15,613	15,713
	37,453	65,320

For further details please refer to note 12.

9 Deferred Taxation

	2015 £000	2014 £000
At beginning of the year	5,609	5,509
Deferred taxation (charge)/credit for the year	(5,666)	107
Impact of tax rate change on deferred taxation charge for the year	69	(7)
At end of the year	12	5,609

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Deferred Taxation (continued)

The deferred taxation result in the statement of comprehensive income comprises the following:

	2015 £000	2014 £000
Accelerated tax depreciation	5,666	(107)
Impact of tax rate change	(69)	7
Total deferred taxation charge/(credit)	<u>5,597</u>	<u>(100)</u>

Deferred taxation assets are comprised as follows:

	2015 £000	2014 £000
Deferred taxation assets		
Accelerated tax depreciation	(4)	5,583
Accelerated capital allowances	<u>16</u>	<u>26</u>
Total deferred taxation assets	<u>12</u>	<u>5,609</u>

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.

10 Share capital

	2015 £000	2014 £000
Allotted, issued and fully paid: 5,000 Ordinary shares of £1 each	<u>5</u>	<u>5</u>

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

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

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

11 Risk management of financial instruments

The primary financial risks affecting the company are: credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS39 "Financial instruments: Recognition and measurement", all financial assets are designated as held at amortised cost. The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses are recognised.

Credit risk management:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum credit risk exposure of the company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at 31 December.

	2015 £000	2014 £000
Financial assets which are neither past due nor impaired for credit risk:		
Amounts owed by group companies	<u>-</u>	<u>100</u>
Financial liabilities which are neither past due nor impaired for credit risk:		
Amounts owed to group companies	<u>(170)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Risk management of financial instruments (continued)

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each lease or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. The company has no credit risk to a third party, all assets are recoverable from the company's ultimate parent, Lloyds Banking Group plc being an A (2014: A) credit rated financial institution.

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

At 31 December 2014 and 2013 there were no impairments relating to credit risk against any financial assets. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

For financial assets held at amortised cost the fair value approximates to their carrying values.

Liquidity risk management:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

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

	Group relief £000	Bank overdraft £000	Bank borrowings £000	Total Liabilities £000
At 31 December 2015				
On demand	170	15,613	21,670	37,453
At 31 December 2014				
On demand	-	15,713	49,607	65,320

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

The fair value of current liabilities approximates their carrying values.

Interest rate risk management:

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 has no exposure to variable rate financial assets and liabilities.

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 British Pounds as such the company has no exposure to foreign currency risk.

12 Related parties

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 page 1 of these financial statements.

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December were as follows:

Nature of transaction	Related party	Related party relationship	2015 £000	2014 £000	Terms and conditions	
					Repayment	Interest
Group relief receivable	Lloyds Bank plc	Ultimate parent undertaking	-	100	N/A	N/A
Amounts due to group companies	Kanaalstraat Funding C.V.	Fellow subsidiary undertaking	(21,670)	(49,607)	N/A	N/A
Group relief payable	Lloyds Bank plc	Ultimate parent undertaking	(170)	-	N/A	N/A
Bank overdraft	Lloyds Bank plc	Ultimate parent undertaking	(15,613)	(15,713)	No fixed date	N/A

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

The company received group relief of £100,000 (2014: £329,000) during the year from fellow subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 Adopted accounting standards

There were no new accounting standards adopted by the company during the year.

14 Future developments

The following pronouncements are not applicable for the year ended 31 December 2015 and have not been applied in preparing these financial statements. Save as disclosed below, the full impact of these accounting changes is being assessed by the Group.

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9, 'Financial Instruments' ¹	<p>IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. These changes are not expected to have a significant impact on the Group.</p> <p>IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. This change is likely to result in an increase in the Group's balance sheet provisions for credit losses although the extent of any increase will depend upon, amongst other things, the composition of the Group's lending portfolios and forecast economic conditions at the date of implementation. In February 2015, the Basel Committee on Banking Supervision published a consultative document outlining supervisory expectations regarding sound credit risk practices associated with implementing and applying an expected credit loss accounting framework. A final version is expected to be issued at the end of 2015.</p> <p>The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle-based approach than IAS 39. The revised requirements are not expected to have a significant impact on the Group.</p>	Annual periods beginning on or after 1 January 2018
IFRS 15, 'Revenue from Contracts with Customers' ¹	IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Financial instruments, leases and insurance contracts are out of scope and so this standard is not expected to have a significant impact on the Group.	Annual periods beginning on or after 1 January 2018

¹ As at the date of signing, this pronouncement is awaiting EU endorsement.