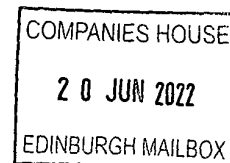


# **Lloyds Leasing (North Sea Transport) Limited**

Annual report and financial statements  
for the year ended 31 December 2021



## **Registered office**

25 Gresham Street  
London  
EC2V 7HN

## **Registered number**

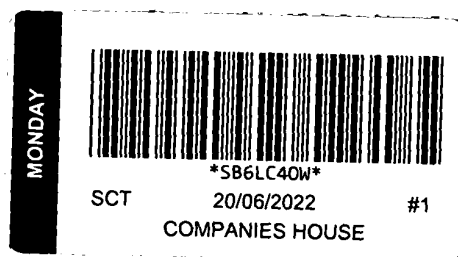
01107543

## **Current directors**

C G Dowsett  
L F C Dorey  
J R Turner

## **Company Secretary**

A E Mulholland



Member of Lloyds Banking Group

## **Directors' report**

For the year ended 31 December 2021

The Directors present their Annual report and audited financial statements of Lloyds Leasing (North Sea Transport) Limited (the "Company") for the year ended 31 December 2021.

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

### **General information**

The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 01107543).

### **Principal activity**

During the year, the principal activity of the Company was to hold an investment in a partnership and this is likely to continue for the foreseeable future.

### **Company performance**

The results of the Company show a profit after taxation of £741,000 (2020: £1,366,000 loss) for the year as set out in the Statement of comprehensive income on page 3.

The Company has shareholders' equity of £29,449,000 (2020: £28,708,000).

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

### **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.

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 12 to the financial statements.

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

The Company has not been directly impacted by COVID-19 but the directors continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

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

The Company has not been directly impacted by UK's exit from the EU but the directors will continue to monitor for further developments however at this stage they do not anticipate any material issues for the Company.

### **Future outlook**

The Company does not intend to expand its investment activities but will continue to manage its existing investment in a partnership to achieve the best return for the Company.

### **Employees**

The Company has no direct employees (2020: none). All staff are employed by other group undertakings and no staff costs are recharged to the Company.

### **Dividends**

No dividends were paid or proposed during the year ended 31 December 2021 (2020: £nil).

## Directors' report (continued)

For the year ended 31 December 2021

### Directors

The current directors of the Company are shown on the front cover.

The following change has taken place between the beginning of the reporting year and the approval of the Annual report and financial statements:

J R Turner appointed 13 January 2022

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

### Directors' indemnities

Lloyds Banking Group plc ("LBG") has granted to the Directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The Deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the Director who joined the board of the Company during the financial year. 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.

### Going Concern

The Company has a net asset position at the year end. The directors have considered this, along with the expected activities of the Company for the foreseeable future, and have reached the conclusion that the Company will be able to meet its future obligations as they fall due and the financial statements have been prepared on a going concern basis.

The Directors are also satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future.

### Statement of directors' responsibilities

The Directors are responsible for preparing the Annual report and 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 are required to prepare the Company's financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). 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;
- 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;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are 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.

### Statement of disclosure of information to auditor

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

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

### Independent auditor

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

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



C G Dowsett  
Director  
30 May 2022

## Statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Result before tax	4	-	-
Taxation	5	741	(1,366)
Profit/(loss) after taxation and total comprehensive income/(expense)		741	(1,366)

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

## Balance sheet

As at 31 December 2021

			* Re-presented	* Re-presented As at 1 January 2020
	Note	2021 £'000	2020 £'000	2020 £'000
<b>ASSETS</b>				
Investment in partnerships	6	70,390	70,390	70,390
Deferred tax asset	7	3,659	681	409
<b>Total assets</b>		<b>74,049</b>	<b>71,071</b>	<b>70,799</b>
<b>LIABILITIES</b>				
Bank overdraft *	8	20,693	19,055	17,792
Amounts due to group undertakings *	9	23,907	23,308	22,933
<b>Total liabilities</b>		<b>44,600</b>	<b>42,363</b>	<b>40,725</b>
<b>EQUITY</b>				
Share capital	10	5	5	5
Retained earnings		29,444	28,703	30,069
<b>Total equity</b>		<b>29,449</b>	<b>28,708</b>	<b>30,074</b>
<b>Total equity and liabilities</b>		<b>74,049</b>	<b>71,071</b>	<b>70,799</b>

\* The comparatives have been re-presented to reflect the changes in presentation as explained in note 13.

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

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



**C G Dowsett**  
Director  
30 May 2022

**Statement of changes in equity**

For the year ended 31 December 2021

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	5	30,069	30,074
Comprehensive expense Loss for the year	-	(1,366)	(1,366)
Total comprehensive expense	-	(1,366)	(1,366)
At 31 December 2020	5	28,703	28,708
Comprehensive income Profit for the year	-	741	741
Total comprehensive income	-	741	741
At 31 December 2021	5	29,444	29,449

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

**Cash flow statement**

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Result before tax		-	-
Net cash used in operations		-	-
Tax paid		(1,638)	(1,263)
Change in Cash and cash equivalents		(1,638)	(1,263)
Cash and cash equivalents at beginning of year		(19,055)	(17,792)
Cash and cash equivalents at end of year		(20,693)	(19,055)
Cash and cash equivalents comprise			
Bank overdraft *	8	20,693	19,055
Total cash and cash equivalents	1	20,693	19,055

\* The comparatives have been re-presented to reflect the changes in presentation as explained in note 13.

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

## Notes to the financial statements

For the year ended 31 December 2021

### 1. Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with IFRSs as issued by the IASB. IFRSs comprise accounting standards prefixed IFRS issued by the IASB and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

The financial information has been prepared under the historical cost convention. As stated below, the Directors consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

In the preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

No new IFRS pronouncements which had a material impact have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 14. No standards have been early adopted.

The Company has a net asset position at the year end. The directors have considered this, along with the expected activities of the Company for the foreseeable future, and have reached the conclusion that the Company will be able to meet its future obligations as they fall due and the financial statements have been prepared on a going concern basis.

The Directors are also satisfied that it is the intention of LBG that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future.

### 2. Accounting policies

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

#### 2.1 Investment in limited partnerships

Investment in partnership comprises investments in and capital contributions to the partnership entity. This is carried at cost less impairment provisions. At each reporting date an assessment is undertaken to determine if there is any indication of impairment. This assessment can include reviewing factors such as the solvency, profitability and cash flows generated by the partnership. If there is an indication of impairment an estimate of the recoverable amount is made, being the higher of the net realisable value and value in use. If the carrying value exceeds the recoverable amount then a provision for impairment is made to reduce the carrying value to the recoverable amount.

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.

#### 2.2 Financial assets and liabilities

The Company does not have any Financial assets. Financial liabilities comprise Bank overdraft and Amounts due to group undertakings.

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

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

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

Financial liabilities are measured at amortised cost, except for trading liabilities and other financial liabilities designated at fair value through profit and loss on initial recognition which are held at fair value.

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

#### 2.3 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 and bank overdrafts. Bank overdraft balances are repayable on demand and are reported as liabilities on Balance Sheet.



## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 2. Accounting policies (continued)

#### 2.4 Foreign currency translation

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

#### 2.5 Taxation, including deferred income taxes

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or other tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

#### 2.6 Share capital

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

### 3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the course of preparing these financial statements, no critical judgements or estimates been made in the process of applying the Company's accounting policies.

### 4. Result before tax

Fees payable to the Company's auditors for the audit of the financial statements of £6,300 (2020: £6,000) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company has no employees (2020: none).

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.

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 5. Taxation

	2021 £'000	2020 £'000
<b>a) Analysis of credit/(charge) for the year</b>		
UK corporation tax:		
- Current tax payable on taxable profit for the year	(2,237)	(1,638)
<b>Current tax charge</b>	<b>(2,237)</b>	<b>(1,638)</b>
UK deferred tax:		
- Origination and reversal of timing differences	2,978	224
- Impact of deferred tax rate change	-	48
<b>Deferred tax credit (see note 13)</b>	<b>2,978</b>	<b>272</b>
<b>Tax credit/(charge)</b>	<b>741</b>	<b>(1,366)</b>

Corporation tax is calculated at a rate of 19.00% (2020: 19.00%) of the taxable profit for the year.

#### b) Factors affecting the credit/(charge) for the year

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

	2021 £'000	2020 £'000
Result before tax	-	-
Tax credit/(charge) thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	-	-
Factors affecting credit/(charge):		
- Effect of change in tax rate and related impacts	-	48
- Permanent difference on partnership profit	741	(1,414)
<b>Tax credit/(charge) on profit on ordinary activities</b>	<b>741</b>	<b>(1,366)</b>
<b>Effective rate</b>	<b>0.00%</b>	<b>0.00%</b>

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 6. Investment in partnership

The Company has an interest in the following partnership.

<u>Partnership name</u>	<u>Holding (%)</u>	<u>Registered address</u>		
Kanaalstraat Funding C.V.	99.9	De Entrée 254, 1101 EE, Amsterdam, Netherlands		
			2021 £'000	2020 £'000
At beginning of year			70,390	70,390
At end of year			70,390	70,390

This represents the Company's investment, at cost, of 99.9% interest as a Limited Partner in Kanaalstraat Funding CV, a Dutch limited partnership, which carries on business as a lessor of plant and equipment. The results of the limited partnership are consolidated in the group financial statements of Lloyds Banking Group plc, which has a financial year end of 31 December 2021.

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 Company's share of these profits for the year amounted to £15,678,000 (2020: £1,188,000) and accumulated retained profits of £19,232,000 (2020: £3,553,000).

The 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 is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Lloyds Banking Group plc.

### 7. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2021 £'000	2020 £'000
At 1 January	681	409
Deferred tax credit for the year	2,978	224
Impact of tax rate change on deferred tax credit for the year	-	48
At 31 December	3,659	681

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2021 £'000	2020 £'000
Accelerated capital allowances	(1)	224
Impact of tax rate change	-	48
Accelerated tax depreciation	2,979	-
Deferred tax credit	2,978	272

The Deferred tax asset is comprised as follows:

	2021 £'000	2020 £'000
Accelerated capital allowances	5	6
Accelerated tax depreciation	3,654	675
Total Deferred tax asset	3,659	681

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 7. Deferred tax asset (continued)

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

### 8. Bank overdraft

	* Re-presented	
	2021 £'000	2020 £'000
Bank overdraft	20,693	19,055

\* The comparatives have been re-presented to reflect the changes in presentation as explained in note 13.

Bank overdrafts of £20,693,000 (2020: £19,055,000) are unsecured, non-interest bearing and repayable on demand. For further details, please refer to note 11.

### 9. Amounts due to group undertakings

	* Re-presented	
	2021 £'000	2020 £'000
Amounts due to fellow group undertakings	21,670	21,670
Taxation payable	2,237	1,638
	23,907	23,308

\* The comparatives have been re-presented to reflect the changes in presentation as explained in note 13.

All balances within Amounts due to fellow group undertakings of £23,907,000 (2020: £23,308,000) are unsecured, non-interest bearing and payable on demand. For further details, please refer to note 11.

### 10. Share capital

	2021 £'000	2020 £'000
Allotted, issued and fully paid 5,000 (2020: 5,000) ordinary shares of £1 each	5	5

The Company's objectives when managing capital are to safeguard the Company's ability to run down the Company in an orderly manner, 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 parent can also request the Company to pay dividends or make a capital contribution in order to maintain or adjust the Group's capital structure.

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

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 11. Related party transactions

The Company's immediate parent company is Lloyds Bank Leasing Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent company of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

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

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

				2021 £'000	2020 £'000
<b>Cash and cash equivalents</b>					
<b>Nature of transaction</b>	<b>Related party</b>	<b>Repayment</b>	<b>Interest</b>		
Bank overdraft	Lloyds Bank plc	On demand	N/A	20,693	19,055
<b>Total Cash and cash equivalents (note 8)</b>				<b>20,693</b>	<b>19,055</b>
<b>Amounts due to group undertakings</b>					
<b>Nature of transaction</b>	<b>Related party</b>	<b>Repayment</b>	<b>Interest</b>		
Amounts due to fellow group undertakings	Kanaalstraat Funding CV	On demand	N/A	21,670	21,670
Taxation payable	Bank of Scotland plc	On demand	N/A	2,237	1,638
<b>Total Amounts due to group undertakings (note 9)</b>				<b>23,907</b>	<b>23,308</b>

\* The comparatives have been re-presented to reflect the changes in presentation as explained in note 13.

There were no credit losses or bad debt expenses relating to the above balances incurred during the year, or in the prior year.

The Company paid taxation of £1,638,000 (2020: £1,263,000) during the year to a fellow subsidiary undertaking.

The registered offices of related parties are noted below:

Related party	Related party relationship	Registered address
Lloyds Bank Leasing Limited	Immediate parent company	25 Gresham Street, London, EC2V 7HN
Lloyds Bank plc	Intermediate parent company	25 Gresham Street, London, EC2V 7HN
Lloyds Banking Group plc	Ultimate parent company	The Mound, Edinburgh, EH1 1YZ
Kanaalstraat Funding CV	Partnership	De Entree 254, 1101 EE, Amsterdam, Netherlands

### 12. Financial risk management

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

#### 12.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due.

The Company has no exposure to credit risk.

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 12. Financial risk management (continued)

#### 12.2 Liquidity risk

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

To manage this risk borrowing facilities are available from within the Group and are managed as part of the Group by its immediate parent company. Typically this funding is repayable on demand, although there is no expectation that such a demand would be made.

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

As at 31 December 2021

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank overdraft	20,693	-	-	-	-	20,693
Amounts due to fellow group undertakings	21,670	-	-	-	-	21,670
Taxation payable	2,237	-	-	-	-	2,237
	44,600	-	-	-	-	44,600

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

As at 31 December 2020

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank overdraft	19,055	-	-	-	-	19,055
Amounts due to fellow group undertakings	21,670	-	-	-	-	21,670
Taxation payable	1,638	-	-	-	-	1,638
	42,363	-	-	-	-	42,363

#### 12.3 Market risk

Market risk is the risk of financial loss from changes in market prices of financial assets and liabilities, typically from changes and volatility in interest rates (see note 12.4 for interest rate risk) and foreign exchange rates (see note 12.5 for foreign currency risk).

#### 12.4 Interest rate risk

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

The Company has no exposure to variable rate financial assets and liabilities.

#### 12.5 Foreign currency risk

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

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

## Notes to the financial statements (continued)

For the year ended 31 December 2021

### 12. Financial risk management (continued)

#### 12.6 Fair values of financial assets and liabilities

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

##### Valuation of financial assets and liabilities

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

##### Level 1 portfolios

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

##### Level 2 portfolios

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

##### Level 3 portfolios

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

##### Financial assets and liabilities carried at amortised cost

Bank overdraft and Amounts due to group undertakings are all held at amortised cost.

### 13. Re-presentation of comparatives

Cash and cash equivalents are held by other companies within the Group and were previously presented as Amounts due from group undertakings. These are now disclosed as Cash and cash equivalents on the Balance sheet in line with the requirements of IAS 1. Accordingly, £19,055,000 is presented as Bank overdraft in the 31 December 2020 comparatives and £17,792,000 in the 1 January 2020 comparatives to bring this in line with 2021 presentation.

### 14. Future developments

The following pronouncement is not applicable for the year ending 31 December 2021 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of this/these accounting change is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at 31 December 2021 this pronouncement has been endorsed for use in the United Kingdom.

##### Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

# Independent auditor's report to the members of Lloyds Leasing (North Sea Transport) Limited

## Report on the audit of the financial statements

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### Opinion

In our opinion, the financial statements of Lloyds Leasing (North Sea Transport) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report



# **Independent auditor's report to the members of Lloyds Leasing (North Sea Transport) Limited**

## **Other information**

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent auditor's report to the members of Lloyds Leasing (North Sea Transport) Limited

## Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and UK tax legislation; and
- Do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

# **Independent auditor's report to the members of Lloyds Leasing (North Sea Transport) Limited**

## **Report on other legal and regulatory requirements**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

### **Matters on which we are required to report by exception**

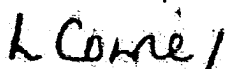
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

### **Use of our report**

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.



Lyn Cowie CA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Aberdeen, United Kingdom  
31 May 2022