Lloyds Bank Leasing (No. 6) Limited

Annual report and financial statements for the year ended 31 December 2020

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

05148211

Current directors

C G Dowsett
C Loring

Company Secretary

A E Mulholland

Strategic report

For the year ended 31 December 2020

The Directors present their Strategic report and audited financial statements of Lloyds Bank Leasing (No. 6) Limited (the "Company") for the year ended 31 December 2020.

Business overview

The Company is part of the Commercial Banking division of the Lloyds Banking Group plc group of companies (“the Group”), principally focussed on meeting the needs of commercial clients through the provision of asset finance. Strategic direction is set by the Board, to ensure that the Company's interests and other charges fully reflect the risks associated with its principal activities, while remaining profitable.

The Company commenced four operating lease agreements during the year acquiring plant, property and equipment which at the year end had a carrying value of £2,067,000. Five operative leases, with a combined net book value of £783,000, had their lease terms extended but still remain operating leases. Thirteen operating lease agreements with a net book value of £1,481,000 were fully disposed of in the year and three operating leases with a net book value of £310,000 were part disposed. The Company also had assets under construction, with a cost to date of £986,000, at the end of the current year.

The financial performance of the Company is detailed in the Income Statement on page 6.

The position of the Company at the year end is detailed in the Directors' report on page 3.

Future outlook

The Company is part of the wider Lloyds Banking Group, and, at that level, following the UK’s 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.

Section 172(1) statement

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 December 2020, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of engagement with other stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the Directors have engaged with, and had regard to, the interest of key stakeholders. The Company is a subsidiary of Lloyds Banking Group plc, and as such follows the processes and practices of Lloyds Banking Group plc, which are further referred to in this statement where relevant.

- Customers

The Directors ensure the Company, as part of Lloyds Banking Group plc, actively manages customer products and in line with Lloyds Banking Group plc focusses on treating customers fairly. The Directors have also worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. Lloyds Banking Group plc regularly benchmarks amongst its customers the performance of itself and its subsidiaries, and uses this insight along with a range of internal and external research to ensure ongoing improvement in customer experience.

- Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of Lloyds Banking Group plc's commercial division. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of Lloyds Banking Group plc, ensuring that the interests of Lloyds Banking Group plc as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2020, which does not form part of this report, available on the Lloyds Banking Group plc website.

Section 172(1) statement and statement of engagement with other stakeholders (continued)

- Communities and the Environment

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

- How stakeholder interest has influenced decision making

The Directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of Lloyds Banking Group plc, is to effectively manage its remaining customer base to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct.

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 24 to the financial statements.

The global pandemic from the outbreak of COVID-19 is causing 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 currently 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 economic impacts of the COVID-19 pandemic, including increased levels of unemployment and corporate insolvencies, could adversely impact the Company's corporate customers and their ability to service their contractual obligations, including to the Company.

During the current year a small number of customers were granted a moratorium for capital repayments ranging from 3 to 6 months. There has been no significant deterioration of credit risk within these customers and no significant impacts on the financial position of the Company as a result of the moratoriums granted.

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.

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

C G Dowsett

C G Dowsett
Director
18 August 2021

Directors' report

For the year ended 31 December 2020

The Directors present their Annual report and audited financial statements of Lloyds Bank Leasing (No. 6) Limited (the "Company") for the year ended 31 December 2020.

General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales, United Kingdom (registered number: 05148211).

Review of Business

During the year, the principal activity of the Company was the leasing of assets through finance and operating lease transactions, and this is likely to continue for the foreseeable future.

The results of the Company show a profit before taxation of £1,419,000 (2019: £1,452,000) for the year as set out in the Income Statement on page 6.

The Company has shareholders' equity of £13,256,000 (2019: £12,404,000).

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

Employees

The Company has no direct employees (2019: 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 2020 (2019: £nil).

Directors

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

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

K Softly	(resigned 13 July 2021)
C Loring	(appointed 13 July 2021)

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. 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 deed of indemnity during that period of service. 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.

Directors' report (continued)

For the year ended 31 December 2020

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 funding facility available to the Company is renewed on an annual basis. The next renewal date is February 2022 and it's the Directors' belief that the facility will be renewed.

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.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on pages 1 and 2.

Statement of directors’ responsibilities

The Directors are responsible for preparing the Directors' and Strategic reports and financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- 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 auditors

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

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

Directors' report (continued)

For the year ended 31 December 2020

Independent auditors

Pursuant to section 487(2) of the Companies Act 2006, the auditors of the Company are deemed re-appointed for each financial year unless the Directors of the Company resolve to terminate their appointment. Following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Company for accounting periods ending on or after 31 December 2021.

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

C G Dowsett
Director
18 August 2021

Income statement
For the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Operating lease income	4	**12,430**	13,423
Depreciation and other costs of property, plant and equipment	17	**(10,828)**	(12,323)
Finance income	5	**296**	348
Finance costs	6	**(670)**	(873)
		1,228	575
Other operating income	7	**247**	1,117
Administration expenses	8	**(1)**	(12)
Foreign exchange loss		**-**	(225)
Impairment charge	9	**(55)**	(3)
Profit before tax	10	**1,419**	1,452
Taxation	11	**(332)**	(276)
Profit after tax		**1,087**	1,176

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

Statement of comprehensive income

For the year ended 31 December 2020

	Note	**2020** **£'000**	2019 £'000
Profit after tax		**1,087**	1,176
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges			
- effective portion of changes in fair value taken to other comprehensive income	22	**(296)**	(319)
- tax	22	**61**	56
Other comprehensive income for the year, net of tax		**(235)**	(263)
Total comprehensive income for the year		**852**	913

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

Balance sheet

As at 31 December 2020

	Note	**2020** **£'000**	2019 £'000
ASSETS			
Amounts due from group undertakings	12	**16,897**	19,409
Finance lease receivables	13	**4,661**	7,175
Trade and other receivables	15	**111**	669
Assets under construction	16	**986**	-
Property, plant and equipment	17	**33,176**	42,384
Deferred tax asset	18	**108**	47
Total assets		**55,939**	69,684
LIABILITIES			
Amounts due to group undertakings	19	**41,788**	55,321
Trade and other payables	20	**833**	1,959
Total liabilities		**42,621**	57,280
EQUITY			
Share capital	21	**-**	-
Other reserves	22	**(457)**	(222)
Retained earnings		**13,713**	12,626
Total equity		**13,256**	12,404
Total equity and liabilities		**55,877**	69,684

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
18 August 2021

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	-	51	11,450	11,501
Comprehensive income				
Profit for the year	-	-	1,176	1,176
Other comprehensive income				
Movements in cash flow hedging reserve, net of tax	-	(273)	-	(273)
At 31 December 2019	**-**	**(222)**	**12,626**	**12,404**
Comprehensive income				
Profit for the year	**-**	**-**	**1,087**	**1,087**
Other comprehensive income				
Movements in cash flow hedging reserve, net of tax	**-**	**(235)**	**-**	**(235)**
At 31 December 2020	**-**	**(457)**	**13,713**	**13,256**

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

Cash flow statement

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit before tax		**1,419**	1,452
Adjustments for:			
- Depreciation and other costs of Property, plant and equipment		**10,828**	12,323
- Movement in impairment allowance for finance leases		**55**	3
- Transfer of operating leases to finance leases		**-**	2,088
- Gain on disposal of operating lease assets		**(5)**	(866)
- Foreign exchange		**-**	225
Operating cash flows before movements in working capital		**12,297**	15,225
Decrease/(increase) in trade and other receivables		**3,013**	(528)
Decrease in trade and other payables		**(4,284)**	(985)
Movement in Work in progress		**(986)**	930
Cash generated from operations		**10,040**	14,642
Tax paid		**(235)**	-
Net cash generated from operating activities		**9,805**	14,642
Cash flows used in investing activities			
Purchase of Property, plant & equipment		**(2,067)**	(7,701)
Proceeds received from sale of Property, plant & equipment		**472**	2,415
Net cash used in investing activities		**(1,595)**	(5,286)
Cash flows used in financing activities			
Decrease in bank borrowings		**(10,708)**	(7,960)
Net cash used in financing activities		**(10,708)**	(7,960)
Change in cash and cash equivalents		**(2,498)**	1,396
Cash and cash equivalents at beginning of year		**19,395**	17,999
Cash and cash equivalents at end of year		**16,897**	19,395
Cash and cash equivalents comprise			
Cash at bank	12	**16,897**	19,395
Total cash and cash equivalents		**16,897**	19,395

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

Notes to the financial statements

For the year ended 31 December 2020

1. Basis of preparation

These financial statements have been prepared in accordance with applicable IFRSs in conformity with the requirements of the Companies Act 2006. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

On adoption of IFRS 9 in 2018, the Group elected to continue applying hedge accounting under IAS 39.

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

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

No new IFRS pronouncements 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 2020 and which have not been applied in preparing these financial statements are given in note 26. 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 funding facility available to the Company is renewed on an annual basis. The next renewal date is February 2022 and it's the Directors' belief that the facility will be renewed.

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 Income recognition

Income and expense from financial instruments

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

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

Lease classification

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

2. Accounting policies

2.1 Income recognition (continued)

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease. Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses. The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts.

Operating lease income

Operating lease income is recognised on a straight line basis over the life of a lease.

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Income statement as it accrues, within finance costs.

2.2 Property, plant and equipment

Property, plant and equipment is held at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful life of the asset less any residual value of the assets over their useful lives as follows:-

Plant and machinery	4 - 10 years

The assets leased by the Company include construction equipment, buses, tractors and haulage trucks. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance sheet date.

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In the event that an asset's carrying amount is determined to be greater than its recoverable amount it is written down immediately. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

2.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Trade and other receivables. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables.

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

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

2. Accounting policies (continued)

2.3 Financial assets and liabilities (continued)

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

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

2.4 Impairment of financial assets and lease receivables

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

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk since origination, allowance is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk since initial recognition are in Stage 2; and financial assets which have defaulted or are otherwise considered to be credit impaired are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings together with qualitative indicators such as watchlists and other indicators of historical delinquency, credit weakness or financial difficulty. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. IFRS 9 contains a rebuttable presumption that default occurs no later than when a payment is 90 days past due. The Company uses this 90 day backstop for all its products.

The Company has not adopted the simplified expected credit loss model for its lease receivables, as allowed by IFRS 9, paragraph 5.5.15. Instead, the general expected credit loss model has been applied to financial assets and lease receivables.

Assets held under operating leases

Impairment of property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the Income Statement.

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, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the Income Statement.

2. Accounting policies (continued)

2.5 Derivative financial instruments and hedge accounting

IFRS 9 requires all derivative financial instruments to be recognised initially at fair value on the Balance sheet and to be re measured to fair value at subsequent reporting dates. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated.

Changes in the fair value of all derivative instruments, other than those in effective cash flow, are recognised immediately in the income statement. As noted in (1) below, the change in fair value of a derivative in an effective cash flow is allocated between the income statement and other comprehensive income.

(1) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income statement. Amounts accumulated in equity are reclassified to the Income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the Income statement when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

2.6 Cash and cash equivalents

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

2.7 Foreign currency translation

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

2.8 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Income statement 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 Income Statement (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.

2. Accounting policies (continued)

2.8 Taxation, including deferred income taxes (continued)

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

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

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

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

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

2.9 Share capital

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

2.10 Other reserves

Other reserves comprise a cash flow hedging reserve representing the cumulative after tax gains and losses on effective cash flow hedging instruments that will be reclassified to the Income statement in the periods in which the hedged item affects profit or loss.

3. Critical accounting estimates and judgements

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

In the course of preparing the financial statements, no critical judgements have been made in the process of applying the Company’s accounting policies, other than those involving estimations which are disclosed separately below.

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Critical accounting estimates and judgements (continued)

The following are critical accounting estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

Fair value of financial instruments

At 31 December 2020, the carrying value of the Company's financial instrument assets held at fair value was £nil (2019: £14,000), and its financial instrument liabilities held at fair value was £564,000 (2019: £281,000).

In accordance with IFRS 13 Fair Value Measurement, the Company categorises financial instruments carried on the Balance sheet at fair value using a three level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore minimal estimates are made in determining fair value. The fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cash flow analysis and valuation models.

The valuation techniques for level 2 and level 3 financial instruments involve management judgement and estimates the extent of which depends on the complexity of the instrument and the availability of market observable

See note 24.5 for further information.

Allowance for impairment losses

The Company recognises an allowance for expected credit losses for finance lease receivables. At 31 December 2020, the Company's expected credit loss allowance was £64,000 (2019: £9,000), of which £64,000 (2019: £9,000) was in respect of drawn balances.

The calculation of the Company's expected credit loss (ECL) allowances under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

- Definition of default

The probability of default (PD) of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

- Lifetime of an exposure

A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. Changes to the assumed expected lives of the Company's assets could impact the ECL allowance recognised by the Company.

- Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition. Credit impaired assets are transferred to Stage 3 with a lifetime expected losses allowance.

The Company uses both quantitative and qualitative indicators to determine whether there has been a SICR for an asset. All financial assets and lease receivables are assumed to have suffered a SICR if they are more than 30 days past due; Financial assets are classified as credit impaired if they are 90 days past due.

4. Operating lease income

	2020	2019
	£'000	£'000
Operating lease income	**12,430**	13,423

There were no lease rentals receivable during the year that were contingent on events other than the terms of the lease, LIBOR rates and UK corporation tax rates (2019: £nil).

5. Finance income

	2020	2019
	£'000	£'000
Finance lease income	**296**	347
Interest receivable on bank deposits from other group companies	**-**	1
	296	348

Finance lease income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

6. Finance costs

	2020	2019
	£'000	£'000
Interest payable on bank loans to other group companies	**362**	744
Interest payable on derivatives	**308**	129
	670	873

7. Other operating income

	2020	2019
	£'000	£'000
Gain on sale of operating lease assets	**5**	866
Other operating income	**242**	251
	247	1,117

8. Administration expenses

	2020	2019
	£'000	£'000
Professional fees and other related expenses	**1**	12

9. Impairment charge

	2020 £'000	2019 £'000
Impairment charge of finance lease receivables	**(55)**	(3)

10. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £10,000 (2019: £10,000) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company has no employees (2019: 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.

11. Taxation

	2020 £'000	2019 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable profit for the year	**(270)**	(276)

Corporation tax is calculated at a rate of 19.00% (2019:19.00%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

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

	2020 £'000	2019 £'000
Profit before tax	**1,419**	1,452
Tax charge thereon at UK corporation tax rate of 19.00% (2019:19.00%)	**(270)**	(276)
Tax charge on profit on ordinary activities	**(332)**	(276)
Effective rate	**19.00%**	19.01%

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Amounts due from group undertakings

	2020	2019
	£'000	£'000
Cash at bank	**16,897**	19,395
Derivative financial instruments (note 24.6)	**-**	14
	16,897	19,409

Cash at bank of £16,897,000 (2019: £19,395,000) is unsecured, non interest bearing and repayable on demand. For further details, please refer to note 23.

13. Finance lease receivables

	2020	2019
	£'000	£'000
Gross investment in finance leases	**4,725**	7,184
Allowance for losses	**(64)**	(9)
Net investment in finance leases	**4,661**	7,175

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2020	**7,184**	**-**	**-**	**7,184**
Transfers to Stage 1	**-**	**-**	**-**	**-**
Transfers to Stage 2	**(5,350)**	**5,350**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**-**	**-**
Net decrease in finance lease receivables	**(66)**	**(2,393)**	**-**	**(2,459)**
Gross investment in finance leases at 31 December 2020	**1,768**	**2,957**	**-**	**4,725**
Allowance for impairment losses	**(24)**	**(40)**	**-**	**(64)**
Net investment in finance leases at 31 December 2020	**1,744**	**2,917**	**-**	**4,661**

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	7,275	-	-	7,275
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net decrease in finance lease receivables	(91)	-	-	(91)
Gross investment in finance leases at 31 December 2019	7,184	-	-	7,184
Allowance for impairment losses	(9)	-	-	(9)
Net investment in finance leases at 31 December 2019	7,175	-	-	7,175

Notes to the financial statements (continued)

For the year ended 31 December 2020

13. Finance lease receivables (continued)

The gross investment in finance leases represents amounts recoverable as follows:

	2020 £'000	2019 £'000
Gross investment in finance leases, receivable:		
Not later than 1 year	**2,487**	2,739
Later than 1 year and not later than 2 years	**1,639**	2,545
Later than 2 years and not later than 3 years	**677**	1,639
Later than 3 years and not later than 4 years	**107**	677
Later than 4 years and not later than 5 years	**-**	107
Later than 5 years	**-**	-
	4,910	7,707
Unearned future finance income on finance leases	**(249)**	(532)
Net investment in finance leases	**4,661**	7,175

The net investment in finance leases represents amounts recoverable as follows:

	2020 £'000	2019 £'000
Net investment in finance leases, receivable:		
Not later than 1 year	**2,325**	2,456
Later than 1 year and not later than 2 years	**1,571**	2,383
Later than 2 years and not later than 3 years	**659**	1,571
Later than 3 years and not later than 4 years	**106**	658
Later than 4 years and not later than 5 years	**-**	107
Later than 5 years	**-**	-
Net investment in finance leases	**4,661**	7,175

The fair value of the Company's finance lease receivables at 31 December 2020 is estimated at £4,733,000 (2019: £7,146,000).

14. Allowance for impairment losses

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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 December 2020				
In respect of drawn balances				
At 1 January 2020	**9**	**-**	**-**	**9**
Exchange and other adjustments	**-**	**-**	**-**	**-**
Transfers to Stage 1	**-**	**-**	**-**	**-**
Transfers to Stage 2	**(5)**	**5**	**-**	**-**
Transfers to Stage 3	**-**	**-**	**-**	**-**
Additions during the year	**20**	**35**	**-**	**55**
Charge for the year	**15**	**40**	**-**	**64**
At 31 December 2020	**24**	**40**	**-**	**64**

14. Allowance for impairment losses (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 December 2019				
In respect of drawn balances				
At 1 January 2019	6	-	-	6
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Additions during the year	3	-	-	3
Charge for the year	3	-	-	3
At 31 December 2019	9	-	-	9

15. Trade and other receivables

	2020 £'000	2019 £'000
Other receivables	**111**	669

16. Assets under construction

	2020 £'000	2019 £'000
At the beginning of the year	**-**	930
Work in progress during the year	**986**	70
Work completed during the year	**-**	(1,000)
At the end of the year	**986**	-

Assets under construction amounts represented the supply and installation of a Sitma polywrapping machine and Mosca strapping machine. The construction was completed and an operating lease commenced in June 2021.

Notes to the financial statements (continued)

For the year ended 31 December 2020

17. Property, plant and equipment

Operating lease assets are represented by property, plant and equipment as follows:

	2020 **£'000**	2019 £'000
Cost:		
At 1 January	**98,262**	116,680
Transfers to finance leases	**-**	(8,585)
Additions	**2,850**	11,210
Disposals	**(10,447)**	(21,043)
At 31 December	**90,665**	98,262
Accumulated depreciation:		
At 1 January	**(55,932)**	(65,947)
Charge for the year	**(10,807)**	(12,299)
Foreign exchange difference on depreciation	**-**	39
Transfers to finance leases	**-**	6,497
Disposals	**9,216**	15,778
At 31 December	**(57,523)**	(55,932)
Direct costs:		
At 1 January	**54**	78
Additions	**1**	-
Charge for the year	**(21)**	(24)
At 31 December	**34**	54
Balance sheet amount at 31 December	**33,176**	42,384

Future minimum lease payments receivable under operating lease:	**2020** **£'000**	2019 £'000
Receivable within 1 year	**8,656**	11,275
1 to 2 years	**6,292**	8,446
2 to 3 years	**3,669**	5,283
3 to 4 years	**1,356**	2,746
4 to 5 years	**395**	653
Over 5 years	**124**	312
	20,492	28,715

18. Deferred tax asset

The movement in the deferred taxation is as follows:

	2020 £'000	2019 £'000
At 1 January	**47**	(9)
Movement in other reserves (note 22)	**56**	62
Impact of tax rate change on deferred tax on cash flow hedges (note 22)	**5**	(6)
At 31 December	**108**	47

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

	2020 £'000	2019 £'000
Cash flow hedges	**61**	56

Deferred taxation assets are comprised as follows:	**2020 £'000**	2019 £'000
Cash flow hedges	**108**	47

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. The effect of this rate change on the Company's deferred tax balances has been assessed and is not significant.

19. Amounts due to group undertakings

	2020 £'000	2019 £'000
Bank borrowings	**40,930**	51,638
Interest payable	**22**	3,078
Amounts due to fellow group undertakings	**-**	88
Derivative financial instruments (note 24.6)	**564**	281
Taxation payable	**272**	236
	41,788	55,321

Bank borrowings of £40,930,000 (2019: £51,638,000) and derivative financial instruments of £564,000 (2019: £281,000) are unsecured, interest bearing and payable on maturity. For further details, please refer to note 23.

All other balances within amounts due to group undertakings of £294,000 (2019: £3,402,000) are unsecured, non interest bearing and payable on demand. For further details, please refer to note 23.

20. Trade and other payables

	2020 £'000	2019 £'000
Other payables	**833**	1,959

21. Share capital

	2020 £'000	2019 £'000
Allotted, issued and fully paid		
100 (2019: 100) ordinary shares of £1 each	**-**	-

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.

22. Other reserves

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

	2020 £'000	2019 £'000
At 1 January	**(222)**	51
Change in fair value of cash flow hedges	**(296)**	(319)
Deferred taxation thereon (note 18)	**56**	62
Impact of tax rate change (note 18)	**5**	(6)
Adjustment in respect of prior year	**-**	(10)
At 31 December	**(457)**	(222)

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

23. Related party transactions

The Company's immediate parent company is Lloyds Bank Leasing Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent company of the smallest such group of undertakings. Copies of the group financial statements may be downloaded via www.lloydsbankinggroup.com.

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

Notes to the financial statements (continued)

For the year ended 31 December 2020

23. Related party transactions (continued)

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

				2020	2019
				£'000	£'000
Amounts due from group undertakings					
Nature of transaction	**Related party**	**Repayment**	**Interest**		
Cash at bank	Lloyds Bank plc	No fixed date	N/A	**16,897**	19,395
Derivative financial instruments	Lloyds Bank plc	Various	Various	**-**	14
Total amounts due from group undertakings (note 12)				**16,897**	19,409
Amounts due to group undertakings					
Nature of transaction	**Related party**	**Repayment**	**Interest**		
Bank borrowings	Lloyds Bank plc	Various	Various	**40,930**	51,638
Interest payable	Lloyds Bank plc	Various	N/A	**22**	3,078
Amounts due to fellow group undertakings	Lloyds Bank Maritime Leasing (No.10) Limited	N/A	N/A	**-**	88
Derivative financial instruments	Lloyds Bank plc	Various	Various	**564**	281
Taxation payable	Bank of Scotland plc	No fixed date	N/A	**272**	236
Total amounts due to group undertakings (note 19)				**41,788**	55,321
Finance income			**Related party**		
Interest receivable on bank deposits from other group companies			Lloyds Bank plc	**-**	1
Finance costs			**Related party**		
Interest payable on bank loans to other group companies			Lloyds Bank plc	**362**	744
Interest payable on derivatives			Lloyds Bank plc	**308**	129

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

Bank borrowings are interest bearing and during the year rates of interest of between 0.04% and 0.96% (2019: 0.66% and 0.96%) were charged. Borrowings that have matured subsequent to the year end have been rolled forward to continue funding as required by the Company.

The Company paid taxation of £274,000 (2019: £nil) 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 plc	Intermediate parent company	25 Gresham Street, London EC2V 7HN
Bank of Scotland plc	Fellow group company	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank Maritime Leasing (No.10) Limited	Fellow group company	25 Gresham Street, London EC2V 7HN

24. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and 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.

24.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with finance leases is managed through the application of strict underwriting criteria, determined by the Group's credit committee and credit functions. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in note 2.4 and 3.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.

- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Maximum credit exposure

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

	2020 £'000	2019 £'000
Amounts due from group undertakings	**16,897**	19,409
Finance lease receivables	**4,725**	7,184
Trade and other receivables	**111**	669
	21,733	27,262

The credit risk associated with Amounts due from group undertakings are held with other companies within the Group. The credit risk associated with these financial assets and Trade and other receivables is not considered to be significant.

Notes to the financial statements (continued)

For the year ended 31 December 2020

24. Financial risk management (continued)

24.1 Credit risk (continued)

Credit quality of finance lease receivables

The analysis of lending has been prepared based on the division in which the asset is held; with the business segment in which the exposure is recorded reflected in the ratings system applied. All probabilities of default (PDs) include forward-looking information and are based on 12 month values, with the exception of credit impaired.

At 31 December 2020

Grade	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
CMS 1-10	0.00-0.50%	-	-	-	-
CMS 11-14	0.51-3.00%	1,768	2,957	-	4,725
CMS 15-18	3.01-20.00%	-	-	-	-
CMS 19	20.01-99.99%	-	-	-	-
CMS 20-23	100%	-	-	-	-
		1,768	2,957	-	4,725

At 31 December 2019

Grade	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
CMS 1-10	0.00-0.50%	7,184	-	-	7,184
CMS 11-14	0.51-3.00%	-	-	-	-
CMS 15-18	3.01-20.00%	-	-	-	-
CMS 19	20.01-99.99%	-	-	-	-
CMS 20-23	100%	-	-	-	-
		7,184	-	-	7,184

24.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company is funded entirely by companies within the Group. Such 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 2020

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank borrowings	-	36,449	4,482	-	-	40,931
Interest payable	-	1	-	2	18	21
Derivative financial instruments	-	-	2	55	507	564
Taxation payable	272	-	-	-	-	272
Other payables	-	183	-	653	-	836
	272	36,633	4,484	710	525	42,624

24. Financial risk management (continued)

24.2 Liquidity risk (continued)

As at 31 December 2019

	On demand	< 1 month	1-3 months	3-12 months	> 1 year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Bank borrowings	-	48,183	3,455	-	-	51,638
Interest payable	3,051	20	2	-	5	3,078
Amounts due to fellow group	88	-	-	-	-	88
Derivative financial instruments	-	-	-	8	273	281
Taxation payable	236	-	-	-	-	236
Other payables	-	1,284	-	675	-	1,959
	3,375	49,487	3,457	683	278	57,280

24.3 Interest rate risk

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

The Company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the Company has no material exposure to financial risk arising from changes in market interest rates. Interest rate risk is hedged using interest rate swaps.

24.4 Foreign currency risk

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

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

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, post tax profit would have changed by an immaterial amount (2019: immaterial amount).

24.5 Fair values of financial assets and liabilities

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

24. Financial risk management (continued)

24.5 Fair values of financial assets and liabilities (continued)

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.

The tables below provide an analysis of the financial assets and liabilities of the Company that are carried at fair value in the Company's Balance sheet, grouped into Levels 1 to 3 based on the degree to which the inputs to fair value are observable.

At 31 December 2020	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Derivative financial instrument assets (note 24.6)	**-**	**-**	**-**	**-**
Derivative financial instrument liabilities (note 24.6)	**-**	**(564)**	**-**	**(564)**
Total derivative financial instruments	**-**	**(564)**	**-**	**(564)**

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Derivative financial instrument assets (note 24.6)	-	14	-	14
Derivative financial instrument liabilities (note 24.6)	-	(281)	-	(281)
Total derivative financial instruments	-	(267)	-	(267)

The fair value of current liabilities approximates their carrying values.

Notes to the financial statements (continued)

For the year ended 31 December 2020

24. Financial risk management (continued)

24.6 Derivative financial instruments

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

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

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

Hedge ineffectiveness for interest rate swaps may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched and differences in critical terms between the interest rate swaps and loans.

There was no recognised ineffectiveness during 2020 or 2019 in relation to the interest rate swaps.

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

	Contractual/ Notional amount	**Fair value Assets**	**Fair value Liabilities**
	£'000	**£'000**	**£'000**
31 December 2020			
Interest rate swaps	**36,818**	**-**	**(564)**
	36,818	**-**	**(564)**
31 December 2019			
Interest rate swaps	43,141	14	(281)
	43,141	14	(281)

25. Post balance sheet events

There were no significant post balance sheet events to report.

26. Future developments

The following pronouncement is not applicable for the year ending 31 December 2020 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at 31 December 2020 these pronouncements have been endorsed for use in the United Kingdom.

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

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

These amendments are not expected to have a significant impact on the Company.

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

Independent auditors' report to the members of Lloyds Bank Leasing (No. 6) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank Leasing (No. 6) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: Balance sheet as at 31 December 2020; Income statement, Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

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

Reporting on other information

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

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to but were not limited to; any breaches of UK regulatory requirements, and compliance with new or amended tax regulations , and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act

2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manual elements of the control environment, such as journal entries, related party transactions and balances, and areas of significant judgement such as provisions and other critical accounting estimates. Audit procedures performed by the engagement team included:

- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and auditing material related party transactions and balances;
- Held discussions with management and those charged with governance including making specific inquiries about any consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewed minutes of meetings of those charged with governance; and
- Incorporated an element of unpredictability into the nature, timing and/or extent of our audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
20 August 2021