HBOS Social Housing Covered Bonds LLP

Members' report and financial statements
for the year ended 31 December 2022

Registration number: OC310386

Members and LLP information

Registered office

Cawley House
Chester Business Park
Chester
CH4 9FB

Registered number

OC310386

Current Members

Bank of Scotland plc
Addison Social Housing Limited

Management Committee

Gavin Parker (Bank of Scotland plc)
Fiona Kenny (Addison Social Housing Limited)

Independent Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Members' report

For the year ended 31 December 2022

The Members present their annual report and audited financial statements of HBOS Social Housing Covered Bonds LLP ("the Partnership") for the year ended 31 December 2022.

General information

The Partnership is a limited liability partnership, incorporated in the United Kingdom, registered in England and Wales and domiciled in England (registered number: OC310386).

The Partnership is a special purpose entity whose business is the acquisition of a beneficial interest in loans originated by or acquired by Bank of Scotland plc, ("BoS" or the "Originator"), to housing associations or other registered social housing landlords ("Housing Associations") and their related security to support a covered bond programme (the "Programme"). The Programme is issued by HBOS Treasury Services Plc, the bonds were transferred to BoS in 2007, and the Partnership is the Guarantor. This Programme enables BoS to issue bonds up to a maximum permitted nominal amount of £3bn, (the "Social Housing Covered Bonds").

The activities of the Partnership are conducted primarily by reference to a series of securitisation transaction documents (the "Transaction Documentation"). The securitisation structure has been established as a means of raising finance for BoS and no business activities are permitted to be undertaken by the Partnership beyond those set out in the Transaction Documentation. The Transaction Documentation sets out the workings of the transaction and the principal risks to the holders of the Social Housing Covered Bonds (the "Bondholders"). As such, these have not been reproduced in full in the financial statements.

Under the Programme, a maximum issuance of £3bn of Social Housing Covered Bonds is permitted, provided that the Housing Association loans acquired and other assets available meet the asset coverage test (the "ACT") per the Transaction Documentation. The ACT states that the aggregate amount of the Housing Association loans and other assets (primarily cash), adjusted by an agreed discount factor, must be of an amount equal to or greater than the total amounts of Social Housing Covered Bonds in issue after taking into consideration other deductions. More information on the ACT is provided in note 11.1 to the financial statements.

The consideration payable to acquire the beneficial interest in the Housing Associations loans and their related security is satisfied through either one or a combination of the following:

(i) a cash payment to BoS from the proceeds of a term loan or available principal receipts; and
(ii) deferred consideration paid by the Partnership on each designated payment date in accordance with the relevant priority of payments.

During the year ended 31 December 2022, a repayment of £75,000,000 was made to Members as capital distribution (2021: £nil), see Note 9.

Under the terms of the Transaction Documentation, should certain conditions exist in relation to individual Housing Association loans, depending on the condition, BoS shall, or may, repurchase the beneficial interest and related security from the Partnership. During the year, BoS did not repurchase any Housing Association loans (2021: £nil).

During the year ended 31 December 2022, the Partnership did not make any repayments against any term loans (2021: £100,000,000), see Note 7.

Business review

Profits on a cash flow basis are pre-determined under the Transaction Documentation. The results for the period are set out in the statement of comprehensive income. The profit for the period amounted to £nil (2021: £nil). Total members interest at 31 December 2022 was £107,535 (2021: £132,676).

At 31 December 2022, one series of Social Housing Covered Bonds remained outstanding (Tranche 2004-1) for £500,000,000, with a scheduled maturity date of 20 December 2024.

Principal risks and uncertainties

From the perspective of the Partnership, the principal risks and uncertainties are managed within the framework established for the transaction. The majority of the Partnership's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Partnership's financial instruments comprise a deemed loan to BoS, borrowed funds, trade and other payables, and cash and cash equivalents.

The principal risks and uncertainties for the Partnership arise from the Partnership's financial instruments. These are credit risk, liquidity risk and interest rate risk. These and other risks which may affect the Partnership's performance are detailed below. Further analysis of the risks facing the Partnership in relation to its financial instruments and the Partnership's financial risk and capital management policies is provided in note 11.

Members' report (continued)

For the year ended 31 December 2022

Principal risks and uncertainties (continued)

Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Partnership.

In terms of arrears management, the Partnership has engaged BoS to administer and service the loans (the "Servicer") in the portfolio to reduce the risk of loss. The Servicer is required to monitor repayments on the Housing Association loans in accordance with the usual credit policies. The Servicer is also responsible for ensuring Housing Association loans in the portfolio meet the eligibility criteria set out in the Transaction Documentation.

Liquidity risk

Liquidity risk is the risk that the Partnership is not able to meet its financial obligations as they fall due.

The Partnership's ability to meet its payments on the term loans as they fall due is dependent on the amounts and timing of the interest and principal repayments on the loans which underlie the Deemed loan to Originator and timely receipts from BoS in their capacity as the swap counterparty. BoS as the issuer of the bonds has the right to redeem all or some of the bonds outstanding by giving (a) not less than 15, nor more than 30 days notice and (b) not less than 15 days before the notice referred to in (a), notice to other key transaction parties. The redemption date specified can be any interest payment date up to but excluding the Final Maturity Date. The timely receipt of funds from the Deemed loan may be delayed due to slow repayment on the loan portfolio (see note 11.1 Credit risk and 11.4 Prepayment risk in the financial statements).

In the event that the Partnership does not have sufficient cash flows from the underlying Housing Association loans in order to be able to repay the term loans as and when they fall due, payments of interest and principal may be deferred in accordance with the terms of the Transaction Documentation.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Partnership minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar; where this is not possible the Partnership uses derivative financial instruments to mitigate interest rate risk. The Deemed loan, the term loans and the cash and cash equivalents are exposed to cash flow interest rate risk caused by floating interest rates that are reset periodically.

The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the Deemed loan.

Key performance indicators ("KPIs")

A defined set of KPIs for the securitisation transaction is set out in the Transaction Documentation. An extract of these is shown in note 11 of the financial statements. The KPIs include monitoring the performance of the mortgage loan portfolio and repayments. These KPIs are monitored through monthly investor reporting.

The Management Board is responsible for assessing the risk of irregularities, where caused by fraud or error in the financial reporting and ensuring that the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting.

In order to assist the members to mitigate key risks, the LLP is represented by the management board at a monthly meeting with programme managers. This meeting analyses and discusses the trends for the month and identifies any issues or required changes. Any such issues are then reported, further discussed and collectively agreed in accordance with the Transaction Documentation that governs the transaction.

The Programme allows for a maximum Social Housing Covered Bonds issuance of £3bn, provided that the Housing Association loans acquired by the Partnership and other assets available meet the ACT. The ACT states that the adjusted aggregate amount of the Housing Association loans, plus other specific assets, less certain deductions, must be of an amount equal to, or greater than, the total Social Housing Covered Bonds outstanding.

Members' report (continued)

For the year ended 31 December 2022

Future Outlook

From the perspective of the Partnership, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Partnership. Significant uncertainties are discussed in detail below.

Long-term impact of the United Kingdom's exit from the European Union

Uncertainties in respect of the medium to long-term implications of the United Kingdom's ("UK") exit from the European Union ("EU") on trade, regulation and employment continue to present risks. This includes impacts on supply chains, affordability of goods and services and UK demographics and prosperity. The Members believe that there will be limited impact on the Partnership.

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs and may also result in increased cyber-attacks and an increase in costs associated with such cyber-attacks, all of which could have a materially adverse effect on the Group's results of operations, financial condition, or prospects. The Group will monitor the situation and risks to the business. The Members believe that there will be limited impact on the Partnership.

The Members' assessment suggests that performance of the portfolio of loans to Housing Associations should continue to be satisfactory. The situation will be monitored and the Servicer, on behalf of the Partnership, will continue for a period of at least 12 months from the date of this report.

Going concern

The Members are satisfied that it is the intention of LBG that its subsidiaries, including the Partnership, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis. The Partnership completes ACT compliance on an ongoing basis to confirm the Partnership is able to cover its obligations. At 31 December 2022, the overcollateralisation level was 37% (2021: 39%).

As a result, the Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for for a period of at least 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Events after the balance sheet

Details of significant events since the balance sheet date are contained within note 13 of these financial statements.

Members

The current Members of the Partnership are shown on the front cover. There have been no changes to Members between the beginning of the reporting period and the approval of the Members' report and financial statements.

Under the terms of the Partnership deed (the "Deed"), the Originator is treated as having made a capital contribution to the Partnership in an amount equal to the difference in the current balance of the loans sold at transfer date and the cash payment made by the Partnership for the loans and relevant security on that transfer date.

Under the priority of payments, payments pro rata and pari passu to the Members of the sum of £3,000 in aggregate (or such other sum as may be agreed by Members from time to time) is allocated and paid to each Member in proportion to their respective capital contribution balances as at each quarterly calculation date, subject to a minimum of £1 each, as their profit for their respective interests as Members of the Partnership.

Members' report (continued)

For the year ended 31 December 2022

Statement of Members' responsibilities in respect of the financial statements

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

Company law, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the Members elected to prepare financial statements for each financial year. Under that law the Members have prepared the financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Regulations. Under company law, as applied to limited liability partnerships, the Members 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the financial statements, the Members 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 Regulations, 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 limited liability partnership will continue in business.

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

Streamlined energy and carbon reporting

The Partnership has taken an exemption from Streamlined Energy and Carbon Reporting ("SECR"), in its own Members’ Report as it is included within the group SECR report given in the Lloyds Banking Group plc 2022 Annual Report and Accounts, available on the Lloyds Banking Group plc website.

Employees

The LLP had no employees during the year ended 31 December 2022 (2021: none).

Auditor and disclosure of information to auditor

In the case of each Member in office at the date the Members’ report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

Independent auditor

The auditor, Deloitte LLP, has expressed their willingness to continue in office and pursuant to section 487(2) of the Companies Act 2006, a written resolution by the members will be passed to confirm the re-appointment of Deloitte LLP as the auditor of the Partnership.

By order of the Members

Gavin Parker
on behalf of BoS
Designated Member

6 April 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	**2022 £'000**	2021 £'000
Interest income		**5,706**	708
Interest expense		**(5,550)**	(462)
Net interest income	3	**156**	246
Operating expenses	4	**(156)**	(246)
Result for the year and total comprehensive income attributable to Members		**-**	-

The transactions in the current year and previous year were derived from continuing operations. There were no items of other comprehensive income or expense during current or previous year and therefore no statement of other comprehensive income has been prepared. The Partnership operates in a single business and all of the Partnership's activities are in the UK.

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

Balance sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Cash and cash equivalents	5	**107,706**	132,801
Deemed loan to originator	6	**392,729**	367,365
Total assets		**500,435**	500,166
LIABILITIES			
Borrowed funds	7	**500,264**	500,041
Trade and other payables	8	**171**	125
Total liabilities		**500,435**	500,166
MEMBERS' OTHER INTERESTS			
Retained earnings		**-**	-
Total Members' other interests		**-**	-
Total Members' other interests and liabilities		**500,435**	500,166
TOTAL MEMBERS' INTERESTS			
Retained earnings		**-**	-
Deemed loan to originator	6	**(392,729)**	(367,365)
Borrowed funds	7	**500,264**	500,041
	9	**107,535**	132,676

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

The financial statements were approved by the Members and were signed on its behalf by:

Gavin Parker
on behalf of BoS
Designated Member

6 April 2023

Statement of changes in Members' other interests

For the year ended 31 December 2022

	Retained earnings £'000
At 1 January 2021	-
Result for the year and total comprehensive income attributable to Members	-
At 31 December 2021	**-**
Result for the year and total comprehensive income attributable to Members	-
At 31 December 2022	**-**

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

Cash flow statement

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Operating activities		
Total comprehensive income for the year	**-**	-
Adjustments for:		
- Interest income	**(5,706)**	(708)
- Interest expense	**5,550**	462
Changes in operating assets and liabilities:		
- Net increase in Trade and other payables	**46**	19
Net cash flows used in operating activities	**(110)**	(227)
Investing activities		
Principal receipts from Deemed loan to originator	**48,972**	199,836
Interest received on / (paid on) Deemed loan to originator	**5,870**	(170)
Bank interest received	**469**	383
Net cash flows generated from investing activities	**55,311**	200,049
Financing activities		
Repayment of Borrowed funds	**-**	(100,000)
Capital distribution	**(75,000)**	-
Interest paid on term loan	**(5,315)**	(415)
Interest paid to Members	**(12)**	(12)
Net cash flows used in financing activities	**(80,327)**	(100,427)
Change in Cash and cash equivalents	**(25,126)**	99,395
Cash and cash equivalents at beginning of year	**132,801**	33,406
Cash and cash equivalents at end of year	**107,675**	132,801

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

Notes to the financial statements

For the year ended 31 December 2022

1. Significant accounting policies

The Partnership was incorporated in England and Wales as a limited liability partnership. The Partnership's registered office address is Cawley House, Chester Business Park, Chester, CH4 9FB. The principal activities of the Partnership are disclosed on page 2 within the Members' Report.

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006, as applicable to limited liability partnerships.

The presentation and functional currency of the Company is Pound Sterling and have been prepared on the historical cost basis (except that derivative financial instruments are stated at their fair value), amounts are rounded to the nearest thousands.

There are no new IFRS pronouncements relevant to the Partnership requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Partnership but which were not effective at 31 December 2022 and which have not been applied in preparing these financial statements are given in note 14. No standards have been early adopted.

The Partnership meets the definition of a special purpose entity under IFRSs. In accordance with the requirements of IFRS 10 "Consolidated Financial Statements", the Partnership's financial statements are consolidated within the Group financial statements of Lloyds Banking Group plc for the year ended 31 December 2022.

The LLP has continued to perform in line with the Transaction Documentation. There are certain rating and non-rating triggers included in the Transaction Documentation as referred to in the KPI section of the Members' Report and explained in the note on Management of risk (note 11). In the course of their regular monitoring of these Key Performance Indicators and review of risk, the Members are confident that these triggers remain un-breached and will remain so for the foreseeable future, despite the current adverse environment. The Members note the limited recourse features of the Notes, meaning that should there be significant levels of default in the mortgage pool, this would be passed onto the Noteholders.

The Members are satisfied that it is the intention of LBG that its subsidiaries, including the Partnership, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis. The Partnership completes ACT compliance on an ongoing basis to confirm the Partnership is able to cover its obligations. At 31 December 2022, the overcollateralisation level was 37% (2021: 39%).

As a result, the Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1.2 Income recognition

Interest income and expense are recognised in the Statement of comprehensive income 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.

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument but not future credit losses.

1.3 Accrued interest

Accrued interest has been incorporated within the Deemed loan to Originator and within the outstanding balance of borrowed funds on the Balance sheet.

1.4 Financial assets and liabilities

Financial assets comprise the Deemed loan to Originator and Cash and cash equivalents. Financial liabilities comprise Borrowed funds and Trade and other payables.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the BoS 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 Group 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Significant accounting policies (continued)

1.4 Financial assets and liabilities (continued)

Deemed loan to originator

Under IFRS 9 "Financial Instruments", if a transferor retains all the substantial risk and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The Members of the Partnership have concluded that the Originator has retained substantially all the risks and rewards of the portfolio of Housing Association loans sold to the Partnership and as a consequence, the Partnership does not recognise the Housing Association loans on its balance sheet but rather a Deemed loan to originator, where recourse to BoS is limited to its cash flows from the Housing Association loans and any additional credit enhancement provided by BoS.

The initial amount of the Deemed loan to Originator corresponds to the consideration paid by the Partnership for the Housing Association loans. The Partnership recognises principal and interest cash flows from the underlying portfolio of Housing Association loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to the Originator are not recognised by the Partnership. Subsequent to initial recognition, the deemed loan to Originator is presented after netting off members capital, the servicing fee, the cash management fee and excess spread / deferred consideration.

The Partnership has entered into an Interest Rate Swap Agreement with BoS. The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the Deemed loan (see note 11.3 for further details).

The initial measurement is at fair value with subsequent measurement being at amortised cost using the effective interest method. The effective interest on the Deemed loan to Originator is calculated with reference to the interest earned on the beneficial interest in the Housing Association portfolio less the residual interest due to the Originator. Under the terms of the loan sale agreement, the Originator retains the right to receive excess income arising on those loans, after certain higher priority payments (predominantly "Expenses") have been met by the Partnership.

Impairment of financial assets

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 (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk 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.

Unlike other financial instruments, the Deemed loan to Originator is, by its construction, an instrument that incorporates credit enhancement. The interest due on the Deemed loan to Originator is only due to the extent it matches the obligations of the entity. The impairment assessment also considers the credit enhancement features of the structure. An impairment on the deemed loan would only be recognised where impairment on the underlying receivables exceeds the credit enhancement in place.

1.5 Cash and cash equivalents

The Partnership holds deposits with the provider of a guaranteed investment contract bank account ("GIC account") and a transaction bank account with the same provider, BoS, in accordance with the Transaction Documentation. These accounts are held in the Partnership's name and meet the definition of cash and cash equivalents. For the purposes of the Cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash.

1.6 Loans and borrowings

Loans and borrowings are recognised initially at fair value plus directly related incremental transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of comprehensive income over the period of the borrowings on an effective interest basis. The term loans (equivalent to the proceeds of the covered bonds issued) which are received from BoS are accounted for on this basis.

Capital contributions from Members are non-interest bearing but a nominal profit share amount is paid out in accordance with the priority of payments (see 1.7 below) and included as part of interest payable and similar charges.

1. Significant accounting policies (continued)

1.7 Contribution and drawings

Under the terms of the Partnership deed (the "Deed"), the Originator is treated as having made a capital contribution to the Partnership in an amount equal to the difference in the current balance of the loans sold at transfer date and the cash payment made by the Partnership for the loans and relevant security on that transfer date.

If so requested by the Management Committee, the Members (other than the liquidation Member) may from time to time make cash contributions to the Partnership which will constitute cash capital contributions. Addison Social Housing Limited will not make any capital contributions to the Partnership. No interest is paid on the Members' capital balances. Capital distributions may only be made in accordance with the Deed, where sufficient principal receipts are available and higher priority payments have been made.

The Partnership has no control over the repayment of the capital contributions, which are driven by actual repayment on the underlying loans in the portfolio which make cash available to be paid in accordance with the priority of payments. These loans may be repaid by the borrowers at any time.

Under the priority of payments, payments *pro rata* and *pari passu* to the Members of the sum of £3,000 in aggregate (or such other sum as may be agreed by Members from time to time) is allocated and paid to each Member in proportion to their respective capital contribution balances as at each quarterly calculation date, subject to a minimum of £1 each, as their profit for their respective interests as Members of the Partnership.

1.8 Taxation, including deferred income taxes

Taxation on all partnership profits is solely the personal liability of individual Members. Consequently, neither taxation nor related deferred taxation in the Partnership are accounted for in these financial statements.

1.9 Trade and other payables

Trade and other payables are stated at cost, or at amortised cost if deemed to be a financial liability.

1.10 Value added tax

Value added tax is not recoverable by the Partnership and is included with the related costs.

1.11 Covered bonds swap agreement

The Partnership has entered into a Covered Bonds Swap Agreement with BoS. Following a BoS event of default and the service on the Partnership of a notice to pay, this agreement provides a hedge against interest rate, currency and/or other risks in respect of amounts received by the Partnership from the Housing Association loans and the interest rate swap and amounts payable by the Partnership under the Covered Bonds Guarantee in respect of the Covered Bonds.

The Covered Bonds Swap Agreement provides a hedge against risks the Partnership is exposed to following a BoS event of default and the service on the Partnership of a notice to pay. As such, no payments of interest or exchanges of principal are due and payable under this agreement prior to these events. In accordance with the terms of this swap, the swap provider will pay to the Partnership amounts equivalent to the amounts that would be payable by the Partnership under the Covered Bonds guarantee in respect of interest and principal payable under the Covered Bonds and, in return, the Partnership will pay to the Covered Bonds swap provider on each Partnership payment date an amount equal to a reference rate for the relevant interest period plus a spread.

No such event of default or service on the Partnership of a notice to pay has yet occurred and therefore no values are recorded on the Balance Sheet date (2021: £nil).

Following amendments to the Covered Bonds Swap Agreement in December 2012 it has been agreed that BoS is only required to post collateral should its credit rating fall below A (long term) or A-1 (short term) by S&P, or P-1 (short term) by Moody's. The collateral posted would only be utilised by the Partnership in the event of a default occurring as referred to in the Transaction Documentation. There was no fall in credit rating below stipulated ratings during the year. This policy applies to the Deemed loan to the Originator within the financial statements.

1.12 Financial guarantee

Financial guarantees are contracts that require the Partnership to make specified payments to reimburse the Covered bondholders for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. No additional liability over and above the interest and principal already detailed in the accounts would be payable.

Where the Partnership enters into financial guarantee contracts to guarantee the indebtedness of BoS, the Partnership treats such guarantee contracts as a contingent liability until such time as it becomes probable that the Partnership will be required to make payment under the guarantee. This is not applicable at this time.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. There are no critical accounting judgements. The most significantly affected components of the financial statements and associated critical estimate are the deemed loan to Originator and the estimation of expected credit losses ("ECL"s), for further detail refer to note 1.4.

(i) Effective interest rate method

In calculating the effective interest rate of financial instruments the Partnership takes into account interest received or paid, fees and commissions paid or received, expected early redemptions and related penalties and premiums and discounts on acquisition or issue that are integral to the yield as well as incremental transaction costs.

For the purpose of the effective yield calculation, it has been assumed, based on the payment experience to date, that the average expected life of the borrowed funds by the Partnership will end at the scheduled redemption date (unless specified earlier in the Transaction Documentation, in which case the earlier date will be used).

(ii) Impairment of deemed loan

The Partnership's accounting policy for losses arising on the deemed loan to Originator is described in note 1.4. The allowance for impairment losses on the deemed loan to Originator is management's best estimate of losses incurred in the portfolio at the balance sheet date. In determining whether impairment has occurred at the balance sheet date the Partnership considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or their timings. An impairment on the deemed loan would only be recognised where impairment on the underlying receivables exceeds the credit enhancement in place.

3. Net interest income

	Note	**2022**	2021
		£'000	£'000
Interest income			
Interest receivable on Deemed loan	10	**5,237**	405
Bank interest receivable	10	**469**	303
		5,706	708
Interest expense			
Interest payable on term loans	10	**(5,538)**	(450)
Interest payable to Members	10	**(12)**	(12)
		(5,550)	(462)
Net interest income		**156**	246

4. Operating expenses

	2022	2021
	£'000	£'000
Administration charges	**117**	216
Audit fees	**39**	30
	156	246

Audit fees for the current year of £39,000 (2021: £30,000) include audit fees of £11,550 (2021: £10,000) accrued on behalf of Addison Social Housing Limited and Addison Social Housing Holdings Limited. There are no fees payable to the auditors and their associates for services other than the statutory audit.

The Partnership employed no staff during the year (2021: none) and therefore incurred no employee costs (2021: £nil).

5. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	Note	**2022 £'000**	2021 £'000
Cash at bank	10	**107,706**	132,801

The Partnership has placed its deposit account with a provider of a GIC account, BoS, a subsidiary undertaking of LBG. Withdrawals from this account are restricted by the detailed priority of payments set out in the Transaction Documentation. For the year ended 31 December 2022, the Partnership is entitled to receive a variable rate of interest equal to the Bank of England Base rate less 0.09% (2021: Bank of England Base rate less 0.09%).

6. Deemed loan to originator

	Note	**2022 £'000**	2021 £'000
Deemed loan to originator	10	**392,729**	367,365
Represented by:			
Non-current		**307,685**	356,129
Current		**85,044**	11,236
		392,729	367,365

Income on the Deemed loan to Originator, arising on the underlying loans, reflects fixed and variable rates. Deferred consideration is deducted from this income in order to arrive at the effective yield on the Deemed Loan.

The sale of loans and their related security to the Partnership have to fulfil certain eligibility criteria listed in the Transaction Documentation. In addition, if certain conditions are met, the loans and their related security are repurchased by the Originator.

7. Borrowed funds

	Note	**2022 £'000**	2021 £'000
Amounts due to group undertakings	10	**500,264**	500,041
Represented by:			
Non-current		**500,000**	500,000
Current		**264**	41
		500,264	500,041

Borrowed funds comprise a term loan from BoS that is agreed and drawn in amounts equivalent to the amounts raised under its covered bonds programme.

BoS is not reliant on the repayment of any term loan by the Partnership nor the interest thereon in order to meet its repayment or interest obligations under the Programme. The outstanding term loan will not be repaid by the Partnership until all amounts payable under the corresponding series of covered bonds have been repaid in full. Amounts owed by the Partnership will be subordinated to amounts under the covered bond guarantee described below.

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Borrowed funds (continued)

During the year ended 31 December 2022, the Partnership did not make any repayments of the intercompany term loan (2021: £100,000,000).

The Social Housing Covered Bonds are unconditionally guaranteed by HBOS plc (the "Group Guarantor"). Under the terms of the Trust Deed, the Partnership has also provided a guarantee as to payments of interest and principal under the covered bonds programme, where amounts would otherwise be unpaid by BoS or the Group Guarantor. The obligations of the Partnership under its guarantee constitute direct obligations of the Partnership secured against the assets from time to time of the Partnership and recourse against the Partnership is limited to such assets. The principal asset is beneficial interest in the Housing Association loans acquired from BoS.

At 31 December 2022, the 2004-1 (Tranche 1) of the Social Housing Covered Bonds totalling £500,000,000 was outstanding (2021: £500,000,000) which has a final maturity date of 20 December 2024.

The outstanding tranche has an issuer call option available, which can be exercised to effect a repayment of the remaining Social Housing Covered Bond on any interest payment date, at an amount equal to principal amount outstanding. Because the repayment amount is equal to the amortised cost on that date, the call option is closely related to the host debt contract and so is not separated from it.

The term loans due to BoS mature following repayment of the covered bonds on the following dates:

Covered bond issuance	**Maturity date**	**2022 £'000**	2021 £'000
2004-1	20 December 2024	**500,000**	500,000
		500,000	500,000

8. Trade and other payables

	2022 £'000	2021 £'000
Accruals	**171**	125

Included within Accruals is £32,200 (2021: £24,700) in respect of the audit fee accrual, net of VAT.

9. Total Members' interest

2022	**Members' capital £'000**	**Covered pool £'000**	**Other accrual £'000**	**Borrowed funds £'000**	**Total £'000**
Opening balance	(464,976)	832,779	(438)	(500,041)	(132,676)
Deferred consideration and other expenses payable	-	-	(664)	-	(664)
Contribution in kind from originator	(56,998)	56,998	-	-	-
Members' capital distribution	75,000	-	-	-	75,000
Principal collections from covered pool	-	(48,972)	-	-	(48,972)
Interest accrued on borrowed funds	-	-	-	(5,538)	(5,538)
Payment of interest on Borrowed funds	-	-	-	5,315	5,315
Members' interest as at 31 December	(446,974)	840,805	(1,102)	(500,264)	(107,535)

9. Total Members' interest (continued)

2021	Members' capital £'000	Covered pool £'000	Other accruals £'000	Borrowed funds £'000	Total £'000
Opening balance	(412,565)	980,204	(933)	(600,006)	(33,300)
Deferred consideration and other expenses payable	-	-	495	-	495
Contribution in kind from originator	(52,411)	52,411	-	-	-
Members' capital distribution	-	-	-	-	-
Principal collections from covered pool	-	(199,836)	-	-	(199,836)
Repayment of Borrowed funds	-	-	-	100,000	100,000
Interest accrued on borrowed funds	-	-	-	(450)	(450)
Payment of interest on Borrowed funds	-	-	-	415	415
Members' interest as at 31 December	(464,976)	832,779	(438)	(500,041)	(132,676)

During the year ended 31 December 2022, the Partnership did not make any repayments against borrowed funds (2021: £100,000,000).

10. Related party transactions

The Partnership is controlled by BoS. A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. All such transactions are contracted on an arms-length basis. A summary of the outstanding balances at the year end and the transactions within the BoS group are set out below.

	Note	**2022 £'000**	2021 £'000
Deemed loan to originator			
BoS	6	**392,729**	367,365
Amounts due to group undertakings			
BoS	7	**500,264**	500,041
Cash and cash equivalents held with group undertakings			
BoS	5	**107,706**	132,801
Interest receivable on Deemed loan			
BoS	3	**5,237**	405
Bank interest receivable			
BoS	3	**469**	303
Interest payable on term loans			
BoS	3	**5,538**	450

10. Related party transactions (continued)

	Note	2022	2021
		£'000	£'000
Interest payable to Members			
BoS	3	**12**	12

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

The Partnership pays a corporate services fee to Intertrust Management Limited in connection with its provision of corporate management services to Addison Social Housing Limited and Intertrust Offshore Limited in connection with its provision of corporate management services to Addison Social Housing Holdings Limited, which includes the provision of Directors to these entities. This amounted to an expense in the Statement of comprehensive income of £14,500 (2021: £18,000) and £16,000 (2021: £20,000) respectively for the year ended 31 December 2022. Of this, £5,000 (2021: £7,000) relates to the provision of Members.

The Partnership is required to pay cash and administration servicing fees to BoS in connection with its provision of services defined under the Covered Bonds agreements.

11. Financial risk management

The principal risks arising from the Partnership's financial instruments are credit risk, interest rate risk, liquidity risk and prepayment risk. Further detailed analysis of the risks facing the Partnership in relation to its financial instruments is provided below.

The activities of the Partnership are conducted primarily by reference to the Transaction Documentation which covers the purchase of the Housing Association loans. The structure was established as a means of raising finance for BoS and no business activities are undertaken by the Partnership beyond those set out in the Transaction Documentation.

The Partnership's exposure to risk on its financial instruments and the management of such risk is largely determined at the initial set-up of the Partnership. The Partnership's activities and the role of each party to the transaction is clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and is required by the rating agencies.

In addition, an interest rate swap is entered into with the Originator as part of the transaction to hedge against interest rate risk arising in the transaction including the obligations under the term loans. The derivative counterparty is selected as a regulated financial institution and this reduces the risk of default and loss for the Partnership. Additional credit protection may be afforded by the requirement for the derivative counterparties to post collateral in the event of a downgrade to a counterparty's credit rating.

Following initial set-up, the Members monitor the Partnership's performance, reviewing monthly reports on the performance of the Housing Association loans and the quarterly investor reports. Such review is designed to ensure that the terms of the Transaction Documentation have been complied with, that no unforeseen risks have arisen and that the interest and principal on the term loans have been paid on a timely basis. Where necessary, the Members also make appropriate enquiries of the Partnership's professional advisers concerning specific matters which may affect the nature and extent of particular risk to the Partnership.

11.1 Credit risk

Credit risk arises where there is a possibility that a counterparty may default on its financial obligations resulting in a loss to the Partnership.

Credit risk arises on the individual loans within the Housing Association loan portfolio. The ability of the Partnership to pay the term loan interest and principal to BoS will depend on the amount and timing of payment of interest and principal on the Housing Association loans by the borrowers as well as timely receipt from the swap counterparty.

In terms of arrears management, the Partnership has engaged BoS to administer and service the loans (the "Servicer") in the portfolio to reduce the risk of loss. The Servicer is required to monitor repayments on the Housing Association loans in accordance with the usual credit policies. The Servicer is also responsible for ensuring Housing Association loans in the portfolio meet the eligibility criteria set out in the Transaction Documentation.

Credit enhancement is provided to the Partnership by BoS. The income on the Housing Association loan portfolio is expected to exceed the Partnership's expenses and the interest payable on the term loans. Any excess income, known as excess spread, that is not required to meet expenses or interest payments is returned to the Originator as a deferred consideration payment.

Notes to the financial statements (continued)
For the year ended 31 December 2022

11. Financial risk management (continued)

11.1 Credit risk (continued)

Credit risk for the Partnership is mitigated by the amount of overcollateralisation of the beneficial interest in loans and which is monitored using an ACT, which is intended to ensure the Partnership can meet its obligations under the Covered Bond Guarantee. The test must ensure that, on specific dates throughout the year, the balance of the social housing loans included within the portfolio exceeds, by a calculated amount, the Covered Bonds outstanding. The overcollateralisation is available in full for the benefit of the Partnership. The Transaction Documentation provides that the Partnership and its Members should ensure that the adjusted aggregate loan portfolio asset is at least equal to or greater than the aggregate amount outstanding on the covered bonds on each calculation date. The adjusted loan amount is the balance of the Housing Association loans after adjusting for various set-offs and adjustments unique to particular groups of loans, together with allowances for loan defaults.

In the event that there is a breach of the ACT, the Members (excluding the liquidation Member) are required to take steps to make good the deficit in providing either the necessary capital contributions to enable further Housing Association loans to be acquired or in cash, as a cash capital contribution, in order that the ACT breach is cured before the next ACT calculation. On the date the ACT was tested on 31 December 2022, the level of assets exceeded the required amount by 37% (2021: 39%).

In accordance with the Transaction Documentation the Originator shall be entitled to remove Housing Association loans (the "Removed Loans") and their Related Security from the portfolio, provided that before and following such removal, the ACT shall continue to be satisfied and that no Event of Default has occurred.

During 2022, BoS did not repurchase any Housing Association loans (2021: £nil).

The Transaction Documentation also provides for the inclusion of new Housing Association loans in the portfolio. The inclusion of new Housing Association loans provides additional credit enhancement by adding to the amount of over collateralisation of the beneficial interest in the loans which is monitored using the ACT. During 2022, the Partnership did not make any cash payments to acquire beneficial interest in any Housing Association loans, (2021: £nil).

The total portfolio of Housing Association loans made available to the Partnership at 31 December 2022 amounted to £840,803,894 (2021: £832,778,672). As noted in the accounting policies section, the Partnership does not recognise the loan portfolio, but rather a Deemed loan to Originator to the extent that there are cash contributions paid to BoS.

To the extent that the cash flows on the Deemed loan does not provide sufficient funds to recover the Partnership's investment in the Housing Association loan portfolio, the Partnership has no claim on the assets of BoS. In such circumstances the Members may be required to make a capital contribution.

During 2022, there were no redemptions of the Social Housing Covered Bonds (2021: £100,000,000).

	Rating as at 31 December 2021 and 31 December 2022		Rating as at date of approval of financial statements	
BoS as provider of:		**Moody's/S&P**		**Moody's/S&P**
Covered bonds swap, interest rate swap and bank accounts	Short term:	P-1/A-1	Short term:	P-1/A-1
	Long term:	A1/A+	Long term:	A1/A+

In the event that a swap counterparty is downgraded by the rating agency below the ratings specified in the relevant swap agreement, the relevant swap provider will be required to take certain remedial measures as defined in that agreement which may include providing collateral for its obligations under the relevant swap, arranging for its obligations to be transferred to an entity with a sufficient rating, procuring another entity with sufficient rating to become co-obligor for its obligations, or taking such action as it may agree with the relevant rating agency.

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Financial risk management (continued)

11.1 Credit risk (continued)

Credit concentration - Deemed loan to originator

The Partnership has a concentration of risk to the Originator of the Housing Association loans as the Partnership's bank accounts, including those covered by the GIC account, are held with BoS whom also acts as swap counterparty, servicer of the Housing Association loans and cash manager.

Financial assets subject to credit risk

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

Assets carried at amortised costs	**2022 £'000**	2021 £'000
Deemed loan to originator	392,729	367,365
Cash and cash equivalents	107,706	132,801
	500,435	500,166

At the Balance Sheet date all financial assets subject to credit risk were neither past due nor impaired. A financial asset is "past due" if a counterparty has failed to make a payment when contractually due. BoS may buy back all defaulting Housing Association loans from the Partnership once they reach more than 60 days in arrears. There is no loss suffered by the Partnership, as this buy-back includes all outstanding amounts, including all arrears on the Housing Association loans. Accordingly the Members consider the credit risk to be sufficiently mitigated. As at 31 December 2022, no loan accounts were considered past due (2021: nil).

Securitised assets

The securitised Housing Association loans receivables can be analysed according to the rating systems used by the Originators when assessing customers and counterparties. The total portfolio balance against which the deemed loan is ultimately secured has been analysed below.

Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated.

Stage 2 - Financial assets which have experienced a significant increase in credit risk.

Stage 3 - Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Financial assets are considered to be credit impaired and included in stage 3 when there is objective evidence of credit impairment. BoS assesses a loan as stage 3 when contractual payments of either principal or interest are past due for more than 60 days, the debtor is assessed as unlikely to pay, or the loan is otherwise considered to be in default.

	Balance 2022 £'000	**Balance 2021 £'000**
Stage 1	**840,804**	822,779
Stage 2	**-**	10,000
Stage 3	**-**	-
	840,804	832,779

The Programme provides the ability for the LLP to request BoS to reacquire loans if there is a deterioration in credit quality of the underlying housing association. No such requests were made by the LLP in 2022 (2021: nil).

Notes to the financial statements (continued)
For the year ended 31 December 2022

11. Financial risk management (continued)

11.2 Liquidity risk

Liquidity risk is the risk that the Partnership is not able to meet its financial obligations as they fall due.

The Partnership's ability to meet its payments on the term loans as they fall due is dependent on the amounts and timing of the interest and principal repayments on the loans which underlie the Deemed loan to Originator and timely receipts from BoS in their capacity as the swap counterparty. BoS as the issuer of the bonds has the right to redeem all or some of the bonds the outstanding by giving (a) not less than 15, nor more than 30 days notice and (b) not less than 15 days before the notice referred to in (a), notice to other key transaction parties. The redemption date specified can be any interest payment date up to but excluding the Final Maturity Date. The timely receipt of funds from the Deemed loan may be delayed due to slow repayment on the loan portfolio (see 11.1 Credit risk above and 11.4 Prepayment risk below).

Principal repayments are made on the term loans with BoS in accordance with the Partnership's principal priority of payments and reflect the amount of principal collections on the underlying Housing Association loans. The Partnership will seek to accumulate funds from its share of the loan portfolio in order to repay the term loans in accordance with the expected maturity dates of the covered bonds issued by BoS.

In the event that the Partnership does not have sufficient cash flows from the underlying Housing Association loans in order to be able to repay the term loans as and when they fall due, payments of interest and principal may be deferred in accordance with the terms of the Transaction Documentation.

During the year, sufficient cash has been received from the Deemed loan to enable the Partnership to make all necessary interest payments on the term loans following repayment of the related series of covered bonds notes.

During the year ended 31 December 2022, the Partnership made £75,000,000 repayments to members as capital distribution (2021: £nil) and made £nil repayments on the term loan (2021: £100,000,000).

The liquidity tables reflect the undiscounted contractual cash payments which will fall due if the structure continues until the contractual maturity date as defined in the Transaction Documentation. It is anticipated that the interest and principal received on the Deemed loan to Originator will be sufficient to allow repayment of the term loans.

As at 31 December 2022

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Contractual repayment value**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Principal						
Borrowed funds	-	-	-	500,000	-	500,000
Interest						
Borrowed funds	-	4,267	13,185	17,548	-	35,000
	-	**4,267**	**13,185**	**517,548**	**-**	**535,000**

As at 31 December 2021

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Contractual repayment value
	£'000	£'000	£'000	£'000	£'000	£'000
Principal						
Borrowed funds	-	-	-	500,000	-	500,000
Interest						
Borrowed funds	-	305	942	2,502	-	3,749
	-	305	942	502,502	-	503,749

Carrying value of the principal Borrowed funds and Interest on borrowed funds are respectively £500,000,000 (2021: £500,000,000) and £264,000 (2021: £41,000).

11. Financial risk management (continued)

11.3 Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Partnership minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of assets and liabilities are similar; where this is not possible the Partnership uses derivative financial instruments to mitigate interest rate risk. The Deemed loan, the term loans and the cash and cash equivalents are exposed to cash flow interest rate risk caused by floating interest rates that are reset periodically.

The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised in the financial statements as it forms part of the Deemed loan.

For the year ended 31 December 2022, the underlying loan portfolio comprises loans which are subject to variable rates of interest set by the Servicer, loans which track the Bank of England Base Rate and loans which bear fixed rates of interest.

11.4 Prepayment risk

Cash flows on the Deemed loan to Originator are dependent on the underlying Housing Association loans which have a final legal maturity of December 2024. However, in the normal course of business, a proportion of borrowers repay their loans in advance of their contractual maturity. As a result the weighted average life of the Deemed loan and of the term loans may be significantly less than that implied by the contractual maturity dates of the Housing Association loans.

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing market interest rates, the availability of alternative financing programmes and local and regional economic conditions.

Prepayment on the Housing Association loans will not impact the weighted average life of the term loans as the Covered Bonds will only be repaid in line with contractual maturity dates.

11.5 Financial strategy

The Partnership uses financial instruments to mitigate interest rate risk. However, the Partnership does not trade in financial instruments.

11.6 Fair values of financial assets and liabilities

(i) Definition of fair value levels

Per IFRS 13 “Fair Value Measurement” the different levels are defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

(ii) Financial instruments held at amortised cost

Cash and cash equivalents and Trade and other payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

For the Deemed loan to Originator, the carrying value of the variable rate loans is assumed to be their fair value. The principal of the loan is consideration for the underlying pool of loans which are significantly held at variable rate. For these reasons, the fair value of this asset is considered to be a close approximation to amortised cost. The term loans (equivalent to the proceeds of the covered bonds issued) which are received from BoS are accounted for on an amortised cost basis and considered to be a close approximation to fair value.

12. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the Balance sheet date (2021: £nil).

13. Post balance sheet events

There are no post balance sheet events which require disclosure in these financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2022

14. Future accounting pronouncements

The following pronouncement will be relevant to the Partnership but was not effective at 31 December 2022 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2023 and in later years (including IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors). These amendments are not applicable for the year ended 31 December 2022, have not been applied in preparing these financial statements and are not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2023.

The full impact of this pronouncement is being assessed by the Partnership. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

15. Ultimate parent undertaking and controlling party

The Partnership's immediate parent company is Bank of Scotland plc.

Bank of Scotland plc is the parent undertaking 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 or downloaded via www.lloydsbankinggroup.com.

The ultimate parent undertaking and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the consolidated annual report and accounts of Lloyds Banking Group plc may be obtained from Lloyds Banking Group’s head office at 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.