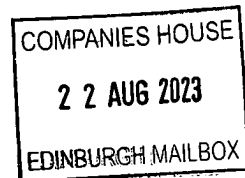


Pacific Leasing Limited

Annual report and financial statements
for the year ended 31 December 2022

Registered office

25 Gresham Street
London
EC2V 7HN



Registered number

02279166

Current directors

C G Dowsett
L F C Dorey
J R Turner

Company Secretary

A E Mulholland



Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2022

The Directors present their Annual report and audited financial statements of Pacific Leasing Limited (the "Company") for the year ended 31 December 2022.

The Directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption and therefore does not include a Strategic report.

General information

The Company is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006 and is registered in England and Wales (registered number: 02279166).

The Company is a wholly owned subsidiary of Bank of Scotland Structured Asset Finance Limited and part of Lloyds Banking Group ("the Group").

Principal activity

The principal activity of the Company changed to the management of financial assets and liabilities following the termination and sale of the four remaining finance leases. Previously, the principal activity of the Company was the leasing of assets through finance lease transactions.

Company performance

The results of the Company show a loss after taxation of £1,325,000 (2021: £3,982,000 profit) for the year as set out in the Statement of comprehensive income on page 4.

The Company has shareholders' equity of £3,320,000 (2021: £8,755,000).

The Company is funded entirely by other companies within the Group.

Key performance indicators ("KPI"s)

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 20 to the financial statements.

Other 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 Directors believe that there will be limited impact on the Company.

Covid-19

The global pandemic created from the outbreak of Covid-19 continues to cause widespread disruption to global 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 remains highly uncertain in both its depth and length, and may go beyond current forecasts of scale of loss of output and recession in the UK and globally. The Directors believe that there will be limited impact on the Company.

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 Directors believe that there will be limited impact on the Company.

Future outlook

Following the sale of its remaining finance leases, the Company is non-trading and the Directors have no intention of writing any new business. It is the intention of the Directors to initiate an orderly run down and place the Company into liquidation as soon as feasible.

Directors' report (continued)

For the year ended 31 December 2022

Dividends

A dividend of £4,110,000 representing a dividend of £2,055,000 per share, was declared and paid during the year (2021: £nil).

Directors

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

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

J R Turner	(appointed 13 January 2022)
G A Fox	(resigned 13 January 2022)

No Director had any interest in any material contract or arrangement with the Company during or after the year end.

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. 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 LBG. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Going concern

As described in the future outlook section, the Company is no longer trading, the Directors do not intend to write any new business, and the intention of the Directors is to place the Company into liquidation as soon as feasible, therefore the financial statements have been prepared on a basis 'other than going concern'.

On preparing the financial statements on an 'other than going concern' basis the Directors are of the opinion that the carrying value of assets would be no different than if the financial statements were prepared on a 'going concern' basis.

Events after the reporting date

There are no material events after the reporting date requiring disclosure in these financial statements.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the 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 auditor

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

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

Directors' report (continued)

For the year ended 31 December 2022

Independent auditor

Pursuant to section 487(2) of the Companies Act 2006, auditors duly appointed by the members of the Company shall, subject to any resolution to the contrary, be deemed to be re-appointed for the next financial year.

Deloitte LLP have expressed their willingness to continue in office and therefore will be deemed to be re-appointed.

Approved by the Board and signed on its behalf by



C G Dowsett
Director
10 August 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Finance income	4	22	1,886
Finance costs	5	(35)	(174)
Net operating (expense)/income		(13)	1,712
Other operating expenses	6	(2,415)	(145)
Administration expenses	7	(49)	-
Impairment credit	8	308	3,349
(Loss)/profit before taxation	9	(2,169)	4,916
Taxation	10	844	(934)
(Loss)/profit after taxation and total comprehensive (expense)/income		(1,325)	3,982

The accompanying notes 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	11	9,401	9,682
Finance lease receivables	12	-	38,325
<hr/>			
Total assets		9,401	48,007
<hr/>			
LIABILITIES			
Bank borrowings	13	-	29,274
Amounts due to group undertakings	14	6,081	3,053
Deferred tax liability	15	-	6,925
<hr/>			
Total liabilities		6,081	39,252
<hr/>			
EQUITY			
Share capital	17	-	-
Retained earnings		3,320	8,755
<hr/>			
Total equity		3,320	8,755
<hr/>			
Total equity and liabilities		9,401	48,007

The Balance sheet has been arranged in order of liquidity.

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
10 August 2023

Statement of changes in equity

For the year ended 31 December 2022

	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	-	4,773	4,773
Comprehensive income			
Profit for the year	-	3,982	3,982
Total comprehensive income	-	3,982	3,982
Balance at 31 December 2021	-	8,755	8,755
Comprehensive expense			
Loss for the year		(1,325)	(1,325)
Total comprehensive expense		(1,325)	(1,325)
Transactions with owners			
Dividends paid to shareholders	-	(4,110)	(4,110)
Total transactions with owners	-	(4,110)	(4,110)
Balance at 31 December 2022	-	3,320	3,320

Total comprehensive income for the year was wholly attributable to the owners of the Company.

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

Cash flow statement

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss)/profit before taxation		(2,169)	4,916
Adjustments for:			
- Movement in impairment allowance for Finance lease receivables	12	(308)	(3,349)
Operating cashflows before movement in working capital		(2,477)	1,567
Decrease in Finance lease receivables	12	38,633	15,370
Decrease in Amounts due to group undertakings	14	(8)	(4,786)
Cash generated from operations		36,148	12,151
Tax paid		(3,045)	(1,424)
Net cash generated from operating activities		33,103	10,727
Financing activities			
Decrease in Bank borrowings	13	(29,274)	(13,316)
Dividends paid to shareholders	16	(4,110)	-
Net cash used in financing activities		(33,384)	(13,316)
Net decrease in Cash and cash equivalents		(281)	(2,589)
Cash and cash equivalents at beginning of year		9,682	12,271
Cash and cash equivalents at end of year	11	9,401	9,682
Cash and cash equivalents comprise			
Cash at bank	11	9,401	9,682
Cash and cash equivalents	11	9,401	9,682

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

Notes to the financial statements

For the year ended 31 December 2022

1 Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The financial information has been prepared under the historical cost convention.

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

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2022 and which have not been applied in preparing these financial statements are given in note 22. No standards have been early adopted.

The Company is no longer trading, the Directors do not intend to write any new business, and the intention of the Directors is to place the Company into liquidation as soon as feasible, therefore the financial statements have been prepared on a basis 'other than going concern'.

On preparing the financial statements on an 'other than going concern' basis the Directors are of the opinion that the carrying value of assets would be no different than if the financial statements were prepared on a 'going concern' basis.

2 Accounting policies

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

2.1 Income and expense recognition

Income and expense from financial instruments

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.

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.

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.

Income in relation to leases in their secondary period is recognised in the period in which it arises.

Finance costs

Interest expense for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues, within finance costs.

2.2 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.

Finance 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

For the year ended 31 December 2022

2 Accounting policies (continued)

2.3 Financial assets and liabilities

Financial assets comprise of Cash and cash equivalents and Finance lease receivables. Financial liabilities comprise of Bank borrowings and Amounts due to group undertakings. Cash and cash equivalents is the only remaining financial asset and Amounts due to group undertakings is the only remaining financial liability.

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.

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

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

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

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

2.4 Impairment

Impairment of financial assets (including Finance lease receivables)

The impairment charge in the Statement of comprehensive income reflects the change in expected credit losses. Expected credit losses are recognised for financial assets including Finance-lease-receivables. Expected credit losses are calculated as an unbiased and probability-weighted estimate by 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. The use of internal credit ratings and qualitative indicators ensure alignment between the assessment of staging and the Group's management of credit risk which utilises these internal metrics within risk management practices. 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 financial assets, as allowed by IFRS 9, paragraph 5.5.15. Instead, the general expected credit loss model has been applied to financial assets.

Notes to the financial statements

For the year ended 31 December 2022

2 Accounting policies (continued)

2.5 Cash and cash equivalents

Cash and cash equivalents comprise Cash at bank, Term deposits with an original maturity less than 3 months and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.6 Taxation

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.

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

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

Deferred tax 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. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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.

2.7 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.

Transactions in currencies other than the Company's functional currency are recorded at the average rate of exchange for the financial year. At the Balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the Balance sheet date. Translation differences are recorded within the Statement of comprehensive income as Foreign exchange gains/(losses).

2.8 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.

2.9 Dividends

Dividends on ordinary shares are recognised as a reduction in equity in the period in which they are paid.

Notes to the financial statements

For the year ended 31 December 2022

3 Critical accounting judgements and key sources of estimation uncertainty

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

In the course of preparing these financial statements, no critical judgements nor have any critical accounting estimates been made in the process of applying the company's accounting policies.

4 Finance income

	2022 £'000	2021 £'000
Finance lease income	22	1,886

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

5 Finance costs

	2022 £'000	2021 £'000
Interest payable on bank loans to other group companies	35	174

6 Other operating expenses

	2022 £'000	2021 £'000
Loss on sale of finance lease assets	2,415	145

7 Administration expenses

	2022 £'000	2021 £'000
Professional fees and other related expenses	49	-

8 Impairment credit

	2022 £'000	2021 £'000
Impairment credit of Finance lease receivables (see note 12)	308	3,349

9 (Loss)/profit before taxation

Fees payable to the Company's auditors for the audit of the financial statements of £6,650 (2021: £6,300) have been borne by the ultimate parent Company and are not recharged to the Company.

The Company does not have any employees for either period. All personnel who perform services on behalf of the Company are employed and remunerated by other group companies and none of these costs are recharged to the Company.

The Directors, who are considered to be key management, received no remuneration in respect of their services to the Company. The emoluments of the Directors are paid by a fellow Group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the Company. The Directors are also Directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of Directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the Directors.

Notes to the financial statements

For the year ended 31 December 2022

10 Taxation

	2022 £'000	2021 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax payable on taxable loss/(profit) for the year	(6,081)	(3,045)
Current tax charge	(6,081)	(3,045)
UK deferred tax:		
- Origination and reversal of timing differences	6,925	2,111
Deferred tax credit (note 15)	6,925	2,111
Tax credit/(charge)	844	(934)

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable profit for the year.

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

A reconciliation of the credit/(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:

	2022 £'000	2021 £'000
(Loss)/profit before taxation	(2,169)	4,916
Tax credit/(charge) thereon at UK corporation tax rate of 19.00% (2021: 19.00%)	412	(934)
Factors affecting credit/(charge):		
- Disallowed and non-taxable items	432	-
Tax credit/(charge)	844	(934)
Effective rate	(38.93%)	(19.00%)

11 Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank	9,401	9,682
Analysed as:	£'000	£'000
Due within one year	9,401	9,682

Cash at bank is non-interest bearing and unsecured (note 18).

Notes to the financial statements
For the year ended 31 December 2022

12 Finance lease receivables

	2022 £'000	2021 £'000
Amounts receivable under finance leases		
Within 1 year	-	5,628
1 to 2 years	-	15,608
2 to 3 years	-	4,076
3 to 4 years	-	4,117
4 to 5 years	-	4,158
After 5 years	-	10,593
Undiscounted lease payments	-	44,180
Unearned income	-	(5,547)
Present value of lease payments	-	38,633
Impairment loss allowance	-	(308)
Net investment in finance leases	-	38,325
	2022 £'000	2021 £'000
Net investment in finance leases analysed as:		
Due within one year	-	38,325

The Company entered into no new finance lease agreements during the year and all existing finance leases were repaid ahead of expected maturity.

Unguaranteed residual values are estimated at nil (2021: £nil).

The Company is not aware of any material items that would affect the credit quality of its finance lease receivables which are neither past due or impaired. The Company has no financial lease receivables whose carrying value would be impaired or considered to be past due but for renegotiation of their terms.

Impairment of Finance lease receivables

The following table shows the movement in expected credit losses that has been recognised for Finance lease receivables:

Year ended 31 December 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
<i>In respect of drawn balances</i>				
At 1 January 2022	308	-	-	308
Exchange and other adjustments				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Impact of transfer between stages	-	-	-	-
Other items credited to Income statement	(308)	-	-	(308)
Charge/(credit) for the year	(308)	-	-	(308)
Advances written off	-	-	-	-
Recovery of prior advances written off	-	-	-	-
At 31 December 2022	-	-	-	-

Notes to the financial statements
For the year ended 31 December 2022

12 Finance lease receivables (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Year ended 31 December 2021				
<i>In respect of drawn balances</i>				
At 1 January 2021	982	2,675	-	3,657
Exchange and other adjustments	-	-	-	-
Transfer to Stage 1	1,333	(1,333)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Impact of transfer between stages	(1,200)	-	-	(1,200)
Other items credited to Income statement	(807)	(1,342)	-	(2,149)
Charge/(credit) for the year	(674)	(2,675)	-	(3,349)
Advances written off	-	-	-	-
Recovery of prior advances written off	-	-	-	-
At 31 December 2021	308	-	-	308

13 Borrowed funds

	2022 £'000	2021 £'000
Bank borrowings	-	29,274
Analysed as:	£'000	£'000
Due within one year	-	29,274

Bank borrowings are interest bearing and unsecured (note 18).

14 Amounts due to group undertakings

	2022 £'000	2021 £'000
Interest payable	-	8
Taxation payable	6,081	3,045
	6,081	3,053
Analysed as:		
Due within one year	6,081	3,053

All balances within Amounts due to group undertakings are non-interest bearing and unsecured (note 18).

15 Deferred tax liability

The movement in the deferred tax liability is as follows:

	2022 £'000	2021 £'000
At 1 January	(6,925)	(9,036)
Deferred tax credit for year	6,925	2,111
At 31 December	-	(6,925)

Notes to the financial statements

For the year ended 31 December 2022

15 Deferred tax liability (continued)

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

	2022 £'000	2021 £'000
Accelerated capital allowances	6,890	2,086
Other temporary differences	35	25
Deferred tax credit	6,925	2,111

The deferred tax liability is comprised of:

	2022 £'000	2021 £'000
Other temporary differences	-	(35)
Accelerated capital allowances	-	(6,890)
Deferred tax liability	-	(6,925)

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.

16 Dividends

	2022 £'000	2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2022 of £2,055,000 (2021: £nil) per share	4,110	-

17 Share capital

	2022 £	2021 £
Authorised: 2 ordinary shares of £1 each		
Issued and fully paid: At 1 January and 31 December 2 ordinary shares of £1 each	2	2

The Company has one class of ordinary shares which carry no right to fixed income.

18 Related party transactions

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

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

			2022 £'000	2021 £'000
Cash and cash equivalents				
Nature of transaction	Related party	Interest rate		
Cash at bank (note 11)	Bank of Scotland plc	N/A	9,401	9,682

Notes to the financial statements

For the year ended 31 December 2022

18 Related party transactions (continued)

			2022 £'000	2021 £'000
Borrowed funds				
Nature of transaction	Related party	Interest rate		
Bank borrowings (note 13)	Bank of Scotland plc	0.14%	-	29,274
<hr/>				
Amounts due to group undertakings				
Nature of transaction	Related party	Interest rate		
Interest payable	Bank of Scotland plc	N/A	-	8
Taxation payable	Bank of Scotland plc	N/A	6,081	3,045
<hr/>				
Amounts due to group undertakings (note 14)			6,081	3,053
<hr/>				
Finance costs				
Nature of transaction	Related party			
Interest payable on bank loans to other group companies (note 5)	Bank of Scotland plc		35	174

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

Interest payable on Bank borrowings charged to the Income statement during the year were incurred at an interest rate of 0.14% (2021: between 0.03% and 0.14%).

The Company's paid tax of £3,045,000 (2021: £1,424,000) during the year to a fellow subsidiary undertaking.

The registered office of related parties are noted below:

Nature of transaction	Related party	Registered address
Lloyds Banking Group plc	Ultimate parent company	The Mound, Edinburgh, EH1 1YZ
Bank of Scotland plc	Intermediate parent company	The Mound, Edinburgh, EH1 1YZ
Bank of Scotland Structured Asset Finance Limited	Immediate parent company	25 Gresham Street, London, EC2V 7HN

19 Ultimate parent undertaking and controlling party

The Company's immediate parent company is Bank of Scotland Structured Asset Finance 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. Bank of Scotland plc is the parent company of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com/investors/financial-downloads.html.

20 Financial risk management

The Company's operations expose it to credit risk, liquidity risk and market risk (including: 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.

20.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The credit risk associated with the Company's external lending 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.

Notes to the financial statements

For the year ended 31 December 2022

20 Financial risk management (continued)

20.1 Credit risk (continued)

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.

	2022 £'000	2021 £'000
Cash and cash equivalents	9,401	9,682
Finance lease receivables	-	38,633
	9,401	48,315

Credit quality of amounts due from other group companies

The credit risk associated with Cash and cash equivalents is not considered significant as these are held with other companies within the Group.

The gross fair value of collateral held is £nil (2021: £4,631,000) representing 12% of the gross finance lease receivable.

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 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
PD range				
0.00-0.50%	-	-	-	-
0.51-3.00%	-	-	-	-
3.01-20.00%	-	-	-	-
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	-	-	-	-

Notes to the financial statements
For the year ended 31 December 2022

20 Financial risk management (continued)

20.1 Credit risk (continued)

At 31 December 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
PD range				
0.00-0.50%	-	-	-	-
0.51-3.00%	38,633	-	-	38,633
3.01-20.00%	-	-	-	-
20.01-99.99%	-	-	-	-
100%	-	-	-	-
	38,633	-	-	38,633

20.2 Liquidity risk

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

The Company manages liquidity risk by maintaining adequate reserves, banking facilities and Group credit facilities by continuously monitoring forecast and actual cash flows, and by matching maturity profiles of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Company can be required to pay.

At 31 December 2022

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank borrowings	-	-	-	-	-	-
Interest payable on borrowings	-	-	-	-	-	-
Taxation payable	6,081	-	-	-	-	6,081
	6,081	-	-	-	-	6,081

At 31 December 2021

	On demand £'000	< 1 month £'000	1-3 months £'000	3-12 months £'000	> 1 year £'000	Total £'000
Bank borrowings	-	29,274	-	-	-	29,274
Interest payable on borrowings	-	8	-	-	-	8
Taxation payable	3,045	-	-	-	-	3,045
	3,045	29,282	-	-	-	32,327

20.3 Market risk

Market risk is the risk of financial loss from changes in market prices of financial assets and liabilities, typically from changes and volatility in interest rates (note 20.4) and foreign exchange rates (note 20.5).

20.4 Interest rate risk

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

The Company 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 due to variable rate clauses in the Company's finance lease agreements, or interest rate swaps set up to mitigate the risk.

Notes to the financial statements

For the year ended 31 December 2022

20 Financial risk management (continued)

20.5 Foreign currency risk

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

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

20.6 Fair values of financial assets and liabilities

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

Valuation of financial assets and liabilities

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

Level 1 portfolios

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

Level 2 portfolios

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

Level 3 portfolios

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

Financial assets and liabilities carried at fair value

The Company carries no assets at fair value on the Balance sheet.

Financial assets and liabilities carried at amortised cost

Cash and cash equivalents, Finance lease receivables, Bank borrowings and Amounts due to group undertakings are all held at amortised cost.

The fair value of the Company's finance lease receivables is considered to be level 2 in the valuation hierarchy as the fair value is derived from a present value cash flow model of expected cash flows from the lease using current market interest rates and margin for the risks inherent in the lease.

The fair value of the Company's finance lease receivables at 31 December 2022 is estimated at £nil (2021: £38,023,022).

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value of all other financial assets and liabilities, due to their short term nature.

20.7 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to run down the Company in an orderly manner, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

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

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

21 Post balance sheet events

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

Notes to the financial statements

For the year ended 31 December 2022

22 Future developments

The following pronouncement is not applicable for the year ending 31 December 2022 and has not been applied in preparing these financial statements. Save as disclosed below, the impact of this accounting change is still being assessed by the Company and reliable estimates cannot be made at this stage.

With the exception of certain minor amendments, as at 31 December 2022 this pronouncement has been endorsed for use in the United Kingdom.

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2023 and in later years (including IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors).

This amendment is not expected to have a significant impact on the Company.

Independent auditor's report to the members of Pacific Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Pacific Leasing Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- *have been prepared in accordance with the requirements of the Companies Act 2006.*

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 22.

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

Basis for opinion

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

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

Emphasis of matter- Financial statement prepared other than on a going concern basis

We draw attention to note 1 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Pacific Leasing Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of Pacific Leasing Limited (continued)

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

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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

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

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

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

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

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

Independent auditor's report to the members of Pacific Leasing Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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



Paul Cowley (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
10 August 2023