

LIME STREET (FUNDING) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

Company Registration No: 04464395

Incorporated in England & Wales



LIME STREET (FUNDING) LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

Registered in England & Wales. Company No. 04464395

Registered office: 25 Gresham Street, London, United Kingdom, EC2V 7HN.

DIRECTORS

P.N. Pitale

A.E. Appen

COMPANY SECRETARY

A.E. Mulholland

LIME STREET (FUNDING) LIMITED

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LIME STREET (FUNDING) LIMITED

STRATEGIC REPORT

For the year ended 31 December 2017

The directors present their report and the audited financial statements of Lime Street (Funding) Limited, a private company limited by shares, for the year ended 31 December 2017.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company's principal activity is to carry on the business of a funding company.

During 2014, the company entered into a transaction whereby a £5,000,000 interest free loan was provided to Newable LLF Ltd (previous named Greater London Enterprise Loan Finance Limited). Benefits to the company are achieved by way of Community Investment Tax Relief (CITR) at 5% per annum of the average loan balance.

The profit after taxation for the year of £469,000 (2016: £729,000) is set out in the Statement of Comprehensive Income on page 8. Total assets as at 31 December 2017 were £152,163,000 (2016: £151,694,000) with net assets of £152,163,000 (2016: £151,694,000).

During 2018 the Company will be reviewing its capital requirements and it is anticipated that this will result in a material reduction in share capital. This will not change the ongoing nature of the entity.

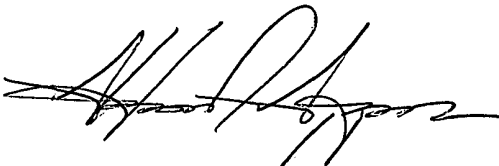
PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Lloyds Banking Group plc and are not managed separately. Full disclosure of the Company's financial risk management objectives and policies are given in note 11 to the financial statements.

KEY PERFORMANCE INDICATORS ("KPIs")

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

On behalf of the board



A.E. Appen
DIRECTOR

Date: *June 7* 2018

LIME STREET (FUNDING) LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

DIRECTORS

The names of the directors of the Company, all of whom served throughout the year and up to the date of signing the financial statements are shown on page 1.

COMPANY SECRETARY

M.A.A. Johnson - Resigned 03 November 2017

A.E. Mulholland- Appointed 03 November 2017

RESULTS AND DIVIDENDS

The results for the year are set out on page 8. The profit for the year amounted to £469,000 (2016: £729,000).

The Directors do not recommend the payment of a dividend for the year.

DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity through deed poll which constituted 'third party indemnity provisions' and 'qualifying pension scheme indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year at the date of approval of the financial statements. The indemnities remain in force for the duration of a Director's period of office. The deeds indemnify the Directors to the maximum extent permitted by law. Deeds for existing Directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

LIME STREET (FUNDING) LIMITED

DIRECTORS' REPORT (CONTINUED)

Each of the directors, whose names are listed on page 1 confirm that, to the best of their knowledge:

- the financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report contained above includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

GOING CONCERN

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

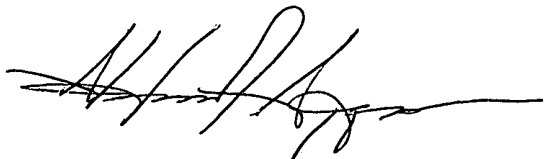
INDEPENDENT AUDITORS' AND AUDIT INFORMATION

Each director in office at the date of this report confirms that, so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

On behalf of the board



A.E. Appen
DIRECTOR

Date *June 7* 2018

Incorporated and domiciled in England and Wales, Company number 04464395.

Independent auditors' report to the members of Lime Street (Funding) Limited

Report on the financial statements

Our opinion

In our opinion, Lime Street (Funding) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2017;
- the Statement of Comprehensive Income for the year then ended;
- the Cash Flow Statement for the year then ended;
- the Statement of changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jonathan Hinchcliffe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

8 June 2018

LIME STREET (FUNDING) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest and similar income	3	<u>581</u>	<u>900</u>
Net interest income	3	<u>581</u>	<u>900</u>
Profit before taxation		581	900
Taxation	5	<u>(112)</u>	<u>(171)</u>
Profit for the financial year		<u>469</u>	<u>729</u>
Total comprehensive income for the year		<u>469</u>	<u>729</u>

The accompanying notes on pages 12 to 19 form an integral part of the financial statements.

LIME STREET (FUNDING) LIMITED

BALANCE SHEET

As at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Assets			
Non-current assets			
Amounts due from customers	6	1,203	2,379
Deferred taxation	8	<u>122</u>	<u>234</u>
Total non-current assets		<u>1,325</u>	<u>2,613</u>
Current assets			
Cash and cash equivalents	10	2,077	1,575
Amounts owed by intermediate parent company	10	147,500	146,250
Amounts due from customers	6	1,250	1,250
Other current assets	7	<u>11</u>	<u>6</u>
Total current assets		<u>150,838</u>	<u>149,081</u>
Total assets		<u>152,163</u>	<u>151,694</u>
Equity			
Share capital	9	150,000	150,000
Retained earnings		<u>2,163</u>	<u>1,694</u>
Total equity		<u>152,163</u>	<u>151,694</u>
Total equity		<u>152,163</u>	<u>151,694</u>

The directors authorised and approved the financial statements on pages 8 to 19 on 7 June 2018.



A.E. Appen
DIRECTOR

The accompanying notes on pages 12 to 19 form an integral part of the financial statements.

LIME STREET (FUNDING) LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share Capital £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2016	150,000	965	150,965
Profit and total comprehensive income for the financial year	-	729	729
Balance at 31 December 2016	150,000	1,694	151,694
Profit and total comprehensive income for the financial year	-	469	469
Balance at 31 December 2017	150,000	2,163	152,163

The accompanying notes on pages 12 to 19 form an integral part of the financial statements.

LIME STREET (FUNDING) LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2017

		Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
	Note		
Cash flows from operating activities			
Profit before taxation		581	900
Adjustment for:			
Interest income	3	(581)	(900)
Group relief tax received		<u>-</u>	<u>196</u>
Net cash generated from operating activities		<u>-</u>	<u>196</u>
Cash flows from investing activities			
Interest received		502	806
Advanced to intermediate parent company	10	(1,250)	(1,250)
Advanced to other group companies	10	-	(1,274)
Decrease of Investment in Hill Samuel Investment Limited	10	-	1,274
Repayment by Newable LLF Ltd		<u>1,250</u>	<u>1,250</u>
Net cash generated from investing activities		<u>502</u>	<u>806</u>
Net increase in cash and cash equivalents		502	1,002
Cash and cash equivalents at beginning of the year		<u>1,575</u>	<u>573</u>
Cash and cash equivalents at end of the year	10	<u>2,077</u>	<u>1,575</u>

The accompanying notes on pages 12 to 19 form an integral part of the financial statements.

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis under the historical cost convention, in compliance with the requirements of the Companies Act 2006 and in accordance with the applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

The preparation of the financial statements necessarily requires the exercise of judgment both in the application of accounting policies which are set out in the sections below and in the selection of assumptions used in the calculation of estimates. These estimates and judgments are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. Actual results may differ from these estimates.

The following pronouncements were effective during the year and relevant to the Company:

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
Amendment to IAS 1, 'Disclosure Initiative' (issued January 2016)	The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes. The Company is currently assessing the impact of IAS 1	Annual periods beginning on or after 1 January 2017
Amendments to IAS 7, 'Disclosure Initiative' (issued February 2016)	The amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The company is currently assessing the impact of IAS 7	Annual periods beginning on or after 1 January 2017

The following pronouncements will be relevant to the Company but were not effective as at 31 December 2017:

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9 'Financial instruments'	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company has assessed the impact of IFRS 9 and these changes are not expected to have a significant impact on the Company.	Annual periods beginning on or after 1 January 2018

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

(a) Revenue recognition

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest-bearing financial instruments, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly 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. The calculation includes all amounts paid or received by the Company that are an integral part of the overall return, direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts. Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised when the service has been provided.

(b) Income taxes, including deferred income taxes

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

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

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

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Loans and receivables

Loans and receivables are accounted for at amortised cost using the effective interest method. Loans and receivables are initially recognised when cash is advanced to the borrowers at fair value inclusive of transaction costs.

(e) Impairment

At each Balance Sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset has become impaired. If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the Balance Sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate.

(f) Dividends

Dividends on ordinary shares are recognised in equity in the year in which they are paid.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes assumptions and estimates that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements 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.

The accounting policies deemed critical to the Company's results and financial position, based upon materiality and judgements and estimates, are discussed below:

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of loans and receivables

The Company determines that the loans and receivables are impaired when the present value of the estimated future cash flows do not exceed their recoverable amount. Estimating the future cash flows requires a degree of judgement and may depend to a large extent on the selection of key assumptions about the future used.

3. NET INTEREST INCOME

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
<i>Interest and similar income</i>		
Amounts owed by intermediate parent company (note 10)	503	789
Interest income on amounts owed from customers	74	108
Cash balance with intermediate parent company (note 10)	4	3
	<u>581</u>	<u>900</u>
Net interest income	<u>581</u>	<u>900</u>

4. ADMINISTRATIVE EXPENSES

Statutory audit fees for the current and prior year of £5,000 (2016: £5,000) were borne by Lloyds Bank plc.

The number of persons employed by the Company during the year was nil (2016: nil). Directors receive no remuneration for their services to the Company.

5. TAXATION

(a) Analysis of tax charge for the year

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Deferred taxation (Note 8)	112	171
Total taxation charge for the year	<u>112</u>	<u>171</u>

The tax charge on the company's profit for the year is based on a UK corporation tax rate of 19.25% (2016: 20.00%).

The company was eligible to 5% Community Investment Tax Relief (CITR) based on the average loan balance of the £5,000,000 Newable LLF Ltd loan during the year. As a result the corporation tax charge in the period has been offset by the community investment tax relief.

(b) Factors affecting the tax charge for the year

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Profit before taxation	<u>581</u>	<u>900</u>

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

5. TAXATION (CONTINUED)

Tax charge thereon at UK corporation tax rate of 19.25%
(2016: 20.00%)

Factors affecting charges:

Deferred tax - change in tax rate

Total taxation charge

112

180

-

(9)

112

171

Effective rate

19.25%

19.00%

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main corporation tax rate to 17% with effect from 1 April 2020.

6. AMOUNTS DUE FROM CUSTOMERS

	31 December 2017	31 December 2016
	£'000	£'000
Newable LLF Ltd Loan	2,453	3,629
	<u>2,453</u>	<u>3,629</u>
Represented by:		
Non-Current	1,203	2,379
Current	1,250	1,250
	<u>2,453</u>	<u>3,629</u>

During 2014 the company provided a £5,000,000 interest free loan to Newable LLF Ltd (previously named GLE Loan Finance Limited). The amount disclosed represents an amount after amortisation of £2,500,000, reduction by £470,000 due to fair value loss and an increase of £423,000 due to effective interest over the life of the loan.

7. OTHER CURRENT ASSETS

	31 December 2017	31 December 2016
	£'000	£'000
Interest receivable on amounts owed by intermediate parent company (note 10)	11	6
	<u>11</u>	<u>6</u>

8. DEFERRED TAXATION

	31 December 2017	31 December 2016
	£'000	£'000
At the beginning of the year	234	405
Current Year P&L	(112)	(180)
Change in tax rate	-	9
	<u>122</u>	<u>234</u>

The recoverability of the deferred tax asset requires the consideration of the level of forecast taxable profits in the Group, taking into account the Group's long term financial and strategic plans.

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

9. SHARE CAPITAL

	31 December 2017 Number of shares	31 December 2016 Number of shares	31 December 2017 £'000	31 December 2016 £'000
Ordinary shares of £1 each				
Issued and fully paid:				
At the end of the year	<u>150,000,001</u>	<u>150,000,001</u>	<u>150,000</u>	<u>150,000</u>

10. RELATED PARTY TRANSACTIONS

The Company's immediate parent company is Lloyds Bank Subsidiaries Limited. The Company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc, which is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group financial statements of both may be obtained from the Company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN. The Company's related parties include its ultimate parent company, fellow subsidiaries 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.

Transactions with key management personnel

There were no transactions between the Company or its subsidiaries with key management personnel during the current year. Key management personnel are employed by other companies in the Lloyds Banking Group and consider that their services to the Company are incidental to their other activities within the Group. The directors' emolument was therefore £nil (2016:£nil).

Other transactions with intermediate parent company

	31 December 2017 £'000	31 December 2016 £'000
Cash balance with intermediate parent company - Lloyds Bank plc	<u>2,077</u>	<u>1,575</u>
Interest income earned (note 3)	<u>4</u>	<u>3</u>

Statutory audit fees for the current and prior year of £5,000 were borne by Lloyds Bank plc.

The company made dividend payments of £nil (2016: £nil) during the year to its parent company, Lloyds Bank Subsidiaries Limited.

Amounts owed by intermediate parent company

	31 December 2017 £'000	31 December 2016 £'000
At beginning of the year	146,250	145,000
Advances during the year	1,250	1,250
Repayments during the year	-	-
At end of the year	<u>147,500</u>	<u>146,250</u>
Representing:		
Lloyds Bank plc	<u>147,500</u>	<u>146,250</u>

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. RELATED PARTY TRANSACTIONS (CONTINUED)

	31 December 2017	31 December 2016
	£'000	£'000
Interest Income earned (note 3)	503	789
Interest Income receivable (note 7)	11	6

Interest on the loan to Lloyds Bank plc is receivable at 3 month LIBOR rate. The maturity of the loan to Lloyds Bank plc is 24 September 2018.

Shares in group undertakings

	31 December 2017	31 December 2016
	£'000	£'000
At beginning of the year	-	1,274
Capital Reduction during the year	-	(1,274)
At end of the year	-	-

Amount owed to other group company

	31 December 2017	31 December 2016
	£'000	£'000
At beginning of the year	-	1,274
Repayment during the year	-	(1,274)
At end of the year	-	-

11. FINANCIAL RISK MANAGEMENT

The Company uses financial instruments to meet the financial needs of its counterparties and to reduce its own exposure to fluctuations in interest rates. The Company makes loans to other Lloyds Banking Group companies at floating rates and for various periods. Such exposures to counterparties involve both on-balance sheet loans and advances.

(a) Interest Rate Risk

Interest rate risk arises from the mismatch between interest rate sensitive liabilities and interest rate sensitive assets. From the perspective of the Company, the interest rate risks are integrated with the interest rate risks of the group and are not managed separately. The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Based on the simulations performed, the full period impact on post-tax profit of a 0.25% shift would be a maximum increase or decrease of approximately £298,000 (2016: £293,000).

The table below summarises the repricing mismatches of the Company's non-trading assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Expected repricing and maturity dates do not differ significantly from the contract dates.

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

As at 31 December 2017	1 month or less £'000	3 months or less but over 1 month £'000	Non- interest bearing £'000	Total £'000
<i>Assets:</i>				
Non-current assets:				
Amounts due from customers	-	-	2,453	2,453
Deferred taxation	-	-	122	122
Current assets:				
Cash and cash equivalents	2,077	-	-	2,077
Amounts owed by intermediate parent company	-	147,500	-	147,500
Other current asset	-	-	11	11
Total Assets	<u>2,077</u>	<u>147,500</u>	<u>2,586</u>	<u>152,163</u>

As at 31 December 2016	1 month or less £'000	3 months or less but over 1 month £'000	Non- interest bearing £'000	Total £'000
<i>Assets:</i>				
Non-current assets:				
Amounts due from customers	-	-	3,629	3,629
Deferred taxation	-	-	234	234
Current assets:				
Cash and cash equivalents	1,575	-	-	1,575
Amounts owed by intermediate parent company	-	146,250	-	146,250
Other current asset	-	-	6	6
Total Assets	<u>1,575</u>	<u>146,250</u>	<u>3,869</u>	<u>151,694</u>

(b) Credit Risk

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

	31 December 2017 £'000	31 December 2016 £'000
Amounts owed by intermediate parent company	147,500	146,250
Amounts due from customers	2,453	3,629
Cash and cash equivalents	2,077	1,575
Other current assets	11	6
Total credit risk exposure	<u>152,041</u>	<u>151,460</u>

LIME STREET (FUNDING) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

The current rating of the intermediate parent company, Lloyds Bank plc, is Aa3 as per Moody's (2016: A1). None of the above assets are past due or impaired.

(c) Liquidity Risk

The Company has no liabilities subjected to liquidity risk as of 31 December 2017 (2016: Nil).

(d) Fair Value of Financial Assets and Liabilities

The amounts due from customers, amounts owed by intermediate parent company, cash and cash equivalents and other receivables and payables are recognised on an amortised cost basis that is considered to be a close approximation to fair value.

(e) Measurement Basis of Financial Assets and Liabilities

The accounting policies in note 1 describe how different classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

(f) Capital Risk Management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

12. CONTINGENT LIABILITY

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £5,465k (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

13. EVENTS AFTER BALANCE SHEET DATE

There are no events after the Balance Sheet that the directors are aware of and require to bring to the attention of the Company.