

LLOYDS BANK GENERAL LEASING (NO. 17) LIMITED

Annual report and financial statements for the year ended 31 December 2018

**COMPANIES HOUSE
EDINBURGH**

03 JUN 2019

FRONT DESK

Member of Lloyds Banking Group

Registered Number: 05452958



DIRECTORS

C G Dowsett
G A Fox
L F C Dorey

COMPANY SECRETARY

Lloyds Secretaries Limited

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

BANKERS

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

05452958

DIRECTORS' REPORT

The directors present their report and audited financial statements of Lloyds Bank General Leasing (No. 17) Limited (the "company") for the year ended 31 December 2018.

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

REVIEW OF BUSINESS

During the year, the principal activity of the company was the management of financial assets and liabilities.

The results of the company show a profit before taxation of £1,000 (2017: £1,250,000 loss) for the year as set out in the statement of comprehensive income on page 6.

The company has shareholders' equity of £831,000 (2017: £830,000).

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2017: £nil).

DIRECTORS

The names of the directors of the company are shown on page 1. The following changes in directors have taken place during the year:

	Appointed	Resigned/ceased to be a director
L F C Dorey	28 June 2018	-

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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:

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

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

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

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

DIRECTORS' INDEMNITIES

Lloyds Banking Group plc has granted to the directors of the company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Act. The deed was in force during the whole of the financial year and at the date of approval of the financial statements (or from the date of appointment in respect of directors who joined the board of the company during the financial year). The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law. The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, Lloyds Banking Group (the "Group") has in place appropriate LBG Directors and Officers Liability insurance cover which was in place throughout the financial year.

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS' APPOINTMENT

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

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are managed within the framework established for the Lloyds Banking Group plc group of companies ("the Group") and are not managed separately. For further details please refer to note 9 'Risk management of financial instruments' in these financial statements.

KEY PERFORMANCE INDICATORS ('KPIs')

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

On behalf of the board



C G Dowsett
Director

Date: 30th May 2019

Independent auditors' report to the members of Lloyds Bank General Leasing (No. 17) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds Bank General Leasing (No.17) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and loss 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Balance Sheet as at 31 December 2018, Statement of Comprehensive Income for the year ended 31 December 2018, Cash Flow Statement for the year ended 31 December 2018 and Statement of Changes in Shareholder's Equity for the year ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

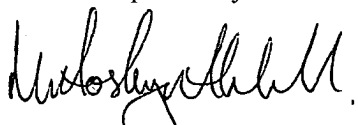
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 May 2019

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Other operating income	2	-	2
Other operating expenses		1	(14)
Loss on sale of leased asset		-	(1,238)
Profit/(loss) before taxation	3	1	(1,250)
Taxation (charge)/credit	4	-	190
Profit/(loss) after taxation and total comprehensive profit/(loss) for the year attributable to owners of the parent		<u>1</u>	<u>(1,060)</u>

The accompanying notes on pages 10 to 16 are an integral part of the Financial Statements.

LLOYDS BANK GENERAL LEASING (NO. 17) LIMITED

BALANCE SHEET
As at 31 December 2018

	Note	2018 £000	2017 £000
Assets			
Current assets			
Amounts due from group companies	5	830	2,356
Other debtors		<u>1</u>	<u>-</u>
Total current assets		<u>831</u>	<u>2,356</u>
Total assets		<u>831</u>	<u>2,356</u>
Liabilities			
Current liabilities			
Amounts due to group companies	6	<u>-</u>	<u>1,526</u>
Total current liabilities		<u>-</u>	<u>1,526</u>
Total non-current liabilities		<u>-</u>	<u>-</u>
Equity			
Share capital	8	<u>-</u>	<u>-</u>
Retained earnings		<u>831</u>	<u>830</u>
Total equity		<u>831</u>	<u>830</u>
Total liabilities and equity		<u>831</u>	<u>2,356</u>

The financial statements on pages 6 to 16 were approved by the Board of Directors on 30th May 2019 and signed on its behalf by:



C G Dowsett
Director

Registered Number: 05452958

The accompanying notes on pages 10 to 16 are an integral part of the Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share capital £000	Retained earnings £000	Total equity £000
Balance at 31 December 2016		-	1,890	1,890
Total comprehensive loss for the year				
Loss for the year		-	(1,060)	(1,060)
Balance at 31 December 2017	8	-	830	830
Total comprehensive income for the year				
Profit for the year		-	1	1
Balance at 31 December 2018	8	<u>-</u>	<u>831</u>	<u>831</u>

The accompanying notes on pages 10 to 16 are an integral part of the Financial Statements.

CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Profit/(loss) before taxation		<u>1</u>	<u>(1,250)</u>
Operating cash flows before movements in working capital		1	(1,250)
Decrease in receivables		7	6,488
Decrease in payables		<u>(577)</u>	<u>(6)</u>
Cash (used in)/generated from operations		(569)	5,232
Tax paid		<u>(950)</u>	<u>(1,442)</u>
Net cash flow (used in)/generated from operating activities		<u>(1,519)</u>	<u>3,790</u>
Financing activities			
Decrease in bank borrowings		<u>-</u>	<u>(8,162)</u>
Net cash flow generated from/(used in) financing activities		<u>-</u>	<u>(8,162)</u>
Net decrease in cash and cash equivalents		(1,519)	(4,372)
Cash and cash equivalents at beginning of the year		<u>2,349</u>	<u>6,721</u>
Cash and cash equivalents at end of the year		<u><u>830</u></u>	<u><u>2,349</u></u>
 Cash and cash equivalents are comprised of:			
Cash at bank	5	<u>830</u>	<u>2,349</u>
		<u><u>830</u></u>	<u><u>2,349</u></u>

The accompanying notes on pages 10 to 16 are an integral part of the Financial Statements.

1 Accounting policies

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, under the historical cost convention.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Lloyds Bank plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

- (i) IFRS 9 'Financial instruments': Annual improvement to IFRSs (issued December 2016) – Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principal based approach than IAS 39.
- (ii) IFRS 15 'Revenue from Contract with customers': Replaces IAS 18 Revenue and IAS 11 Construction contracts. Establishes principals for reporting useful information about the nature, amount and uncertainty of revenue cash flows arising from an entity's contracts with customers.

The application of these pronouncements has not had any impact for amounts recognised in these financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

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

1(a) Financial assets and liabilities

Financial assets comprise, Amounts due from group undertakings, and Other debtors. Financial liabilities comprise Amounts due to group undertakings.

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Group 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 Group reclassifies financial assets when and only when its business model for managing those assets changes.

A reclassification will only take place when the change is significant to the Group'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 Group has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Group has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

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

Impairment of financial assets

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

1 Accounting policies (continued)**1(b) Taxation, including deferred income taxes**

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or 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.

1(c) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

1(d) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1(e) Foreign currency translation

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

2 Other operating income

	2018 £000	2017 £000
Interest payable on bank loans and overdraft to other group companies	-	2
	-	2

3 Profit/(loss) before taxation

Audit fees for the company are borne by the ultimate parent company, which makes no recharge to the company.

The company has no employees (2017: nil).

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.

4 Taxation result/credit

	2018 £000	2017 £000
The taxation result/(credit) for the year comprises:		
Current tax on taxable profit for the year	-	(950)
Total current tax on taxable profit for the year	-	(950)
Deferred taxation (note 7)	-	1,200
Impact of tax rate change (note 7)	-	(60)
Total taxation result/(credit) for the year	-	190

Corporation tax is calculated at a rate of 19% (2017: 20%) of the taxable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Taxation result/credit (continued)

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

	2018 £000	2017 £000
Profit/(loss) before taxation	<u>1</u>	<u>(1,250)</u>
Tax at standard rate of corporation tax rate of 19% (2017: 19.25%)	-	250
Impact of tax rate change	<u>-</u>	<u>(60)</u>
Total taxation result/credit	<u>-</u>	<u>190</u>

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

5 Amounts due from group companies

	2018 £000	2017 £000
Cash at bank	830	2,349
Amounts due from other group companies	<u>-</u>	<u>7</u>
	<u>830</u>	<u>2,356</u>

For further details please refer to note 10.

6 Amounts due to group companies

	2018 £000	2017 £000
Interest payable	-	576
Tax payable	<u>-</u>	<u>950</u>
	<u>-</u>	<u>1,526</u>

For further details please refer to note 10.

7 Deferred taxation

	2018 £000	2017 £000
At beginning of the year	-	1,140
Deferred taxation credit for the year	-	(1,200)
Impact of tax rate change	<u>-</u>	<u>60</u>
At end of the year	<u>-</u>	<u>-</u>

The deferred taxation credit in the income statement comprises the following:

	2018 £000	2017 £000
Capital allowances on assets leased to customers	-	(1,200)
Impact of tax rate change	<u>-</u>	<u>60</u>
Total deferred taxation credit	<u>-</u>	<u>(1,140)</u>

Deferred taxation liabilities are comprised as follows:

	2018 £000	2017 £000
Deferred taxation liability	-	-
Accelerated tax depreciation	<u>-</u>	<u>-</u>
Total deferred taxation	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Share capital

	2018 £	2017 £
Allotted, issued and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

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

The company's capital comprises all components of equity, movements in which appear in the statement of changes in shareholders' equity.

9 Risk management of financial instruments

The Company's operations expose it to a variety of financial risks: credit risk, liquidity risk, market risk (including interest rate risk, exchange risk, and equity risk). Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by Lloyds Banking Group plc, and the ultimate parent, Lloyds Banking Group plc. Information on the management of these financial risks and further disclosures is given below.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

Credit risk management:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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 31 December.

	2018 £000	2017 £000
Financial assets which are neither past due nor impaired for credit risk:		
Amounts owed by group companies	830	2,356
Other debtors	<u>1</u>	<u>-</u>
Total credit risk exposure	<u>831</u>	<u>2,356</u>

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each lease or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease. The table below reflects the credit rating of the financial assets portfolio net of any financial guarantees received.

Financial assets by credit rating:

	AAA £000	AA £000	A £000	BBB £000	Rated BB or lower £000	Not rated £000	Total £000
At 31 December 2018							
Amounts due from group companies	-	-	830	-	-	-	830
Amounts due from other debtors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total	<u>-</u>	<u>-</u>	<u>830</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>831</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Risk management of financial instruments (continued)

Credit risk management (continued):

Financial assets by credit rating:

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2017							
Amounts due from group companies	-	-	2,356	-	-	-	2,356
Total	-	-	2,356	-	-	-	2,356

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 31 December 2018 and 2017 there were no impairments relating to credit risk against any financial assets nor any lease receivables past due on scheduled lease payments. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

For financial assets held at amortised cost the fair value approximates to their carrying values.

Liquidity risk management:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

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

At 31 December 2018	Bank borrowings £000	Other liabilities £000	Total Liabilities £000
On demand	-	-	-
Up to 1 month	-	-	-
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	-	-	-
At 31 December 2017	Bank borrowings £000	Other liabilities £000	Total Liabilities £000
On demand	-	1,526	1,526
Up to 1 month	-	-	-
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	-	1,526	1,526

The fair value of current liabilities approximates their carrying values.

Bank borrowings and the associated interest payable upon them are borrowed short term and all borrowings are advanced by a fellow subsidiary undertaking of Lloyds Banking Group plc.

Interest rate risk management:

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

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

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 as such the company has no exposure to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Related parties

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

The company's related parties include other companies in the Group and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors, who are listed on page 1 of these financial statements.

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December were as follows:

Nature of transaction	Related party	Related party relationship	2018	2017	Terms and conditions
Cash at bank	Lloyds Bank plc	Immediate parent undertaking	830	2,349	No fixed date
Amounts due to other group	Lloyds Maritime Leasing (No. 17) Limited	Fellow subsidiary undertaking	-	7	No fixed date
Companies interest payable	Lloyds Bank plc	Intermediate parent undertaking	-	(576)	Various
Tax payable	Bank of Scotland plc	Fellow subsidiary undertaking	-	(950)	No fixed date
					N/A
					N/A

The registered offices of related parties are noted below:

Related party	Registered address
Lloyds Bank plc	25 Gresham Street, London, EC2V 7HN
Bank of Scotland plc	The Mound, Edinburgh, EH1 1YZ
Lloyds Bank Maritime Leasing (No. 17) Limited	25 Gresham Street, London, EC2V 7HN

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

The company paid tax of £950,000 (2017: £1,442,000) during the year to fellow subsidiary undertakings.

11 Implementation of IFRS9 Financial Instruments

This note explains the impact of the adaptation of IFRS 9 Financial Instruments on the Company's financial statements.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of the financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Classification and measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income or amortised cost.

Financial assets will be measured at amortised cost if they are held within a business model the objective of which is to hold financial assets in order to collect contractual cashflows, and their contractual cashflows represent solely payments of principle and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by collecting contractual cashflows and selling financial assets and their contractual cashflows represent solely payments of principle and interest. Financial assets not meeting either of these two business models, and all equity instruments (unless designated at inception to fair value through other comprehensive income), and all derivatives are measured at fair value through profit and loss.

An entity may, at initial recognition, designate a financial asset as measures at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch.

Impairment

IFRS 9 replaces the existing "incurred loss" impairment approach with an expected credit loss ("ECL") model resulting in earlier recognition of credit losses compared with IAS 39. The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit impaired, which is similar to the guidance on incurred losses in IAS 39.

Impact on the financial statements

The Company has adopted IFRS 9 from 1 January 2018. In accordance with the transition requirements of IFRS 9, comparative information for 2017 has not been restated and transitional adjustments have been accounted for through retained earnings as at 1 January 2018.

As at the balance dates 31 December 2017 and 31 December 2018 the financial asset held by the entity comprises of cash at bank held by the parent company on behalf of the company. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The company has conducted an analysis of these changes and does not consider there to be any significant impact of applying IFRS 9 to the financial statements.

12 Future developments

The following accounting standard changes will impact the company in the future financial years. Save as disclosed below, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements.

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS16; 'Leases'	<p>The IASB has issued IFRS 16 to replace IAS 17 Leases which is effective for annual periods beginning on or after 1 January 2019. IFRS 16 requires lessees to recognise a right of use asset and a liability for future payments arising from a lease contract. This change will mainly impact the properties that the Group currently accounts for as operating leases. Lessor accounting requirements remain aligned to the current approach under IAS 17.</p> <p>The impact of this pronouncement has been assessed by the Company with the view that the financial statements will not be impacted.</p>	Annual periods beginning on or after 1 January 2019.