

Lex Autolease Limited

Annual Report and Accounts

2021

Member of Lloyds Banking Group

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Strategic report

For the year ended 31 December 2021

The directors present their Strategic report and audited financial statements of Lex Autolease Limited (the "Company") for the year ended 31 December 2021.

Business overview

The principal activities of the Company are vehicle contract hire and the provision of motor vehicles under credit sale, contract purchase and finance lease agreements to corporate, commercial and personal customers.

The directors consider the level of new business written in the year to be satisfactory under the circumstances where the Covid-19 pandemic and a global micro-chip shortage has continued to disrupt the delivery and collection of vehicles. This has impacted on current fleet size, which reduced by 7% during 2021 and increased the number of lease extensions to existing contracts.

The Company has supported customers experiencing increased financial difficulty through this period of economic uncertainty by offering tailored payment holidays, this ended in 2021.

The Company's result for the year shows a increased Profit before tax of £433,180,000 (2020: £109,938,000) and a Gross profit of £574,612,000 (2020: £303,446,000). One of the main contributions to the increase in performance, has been the impact of the global micro-chip shortage, restricting supply across the motor industry, increasing the demand for used vehicles and values, leading to strong profits on disposal and lower depreciation on existing stock. The other factor is lower direct costs in 2021 compared to 2020, due to reduced maintenance spend resulting from decreased mileage during the Covid-19 pandemic.

The Company holds net assets of £833,269,000 (2020: £428,821,000).

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

Future outlook

The Company expects to continue to face the challenges of stock shortages resulting from the global micro-chip shortage and wider component shortages as a result of Covid-19 lockdowns across the globe and the war in Ukraine. These issues are expected to continue to impact availability of new vehicle deliveries in the fleet in the short term.

Further uncertainty is around the UK economy, which is currently experiencing inflation pressures and rising energy costs, creating financial challenges across the country. This could adversely affect the performance of the company, as small and medium sized business profits are impacted. The situation is being closely monitored as further cost pressure is expected to be felt later in 2022.

Vehicle returns have been lower in 2021 due to market conditions, but with a strong order book once supply issues ease, it is expected that returns will return to normal. Margins on new and existing contracts will be carefully managed to protect against changes and uncertainties in the economic environment.

The Company is also focused on achieving its objectives around the climate change agenda and is working with its customers to develop products and propositions to facilitate the switch to electric vehicles. The Company expects the current growth in electric vehicles, which was a 125% year on year increase in new orders in 2021, to continue as corporate customers take action to meet net zero emissions targets.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Division in its parent Lloyds Banking Group plc ("LBG"). While these risks are not managed separately for the Company, the Company is a main trading company of the Motor Finance business as part of the Group.

The directors consider that one of the key drivers of performance for the Company are the fluctuations in the residual values of fleet vehicles. Residual values are directly impacted by the UK economy, which influences the performance on disposal of ex-fleet vehicles in the second hand car market. Due to national lockdowns and restricted production, the global micro-chip shortage has caused disruption to manufacturer delivery times during 2021, creating an uplift in used vehicle prices. It remains uncertain when production levels will return to pre-pandemic levels.

Credit risk, Liquidity risk, Market risk and Interest rate risk is managed and monitored by Internal risk teams. Further details of these risks and the risk management policy are contained in note 20 of the financial statements.

Strategic report (continued)

For the year ended 31 December 2021

Principal risks and uncertainties (continued)

Credit risk

Credit risk arises on the individual customer balances on the Loans and advances to customers and Trade and other receivables. These loans and operating lease rentals receivable are continually monitored by the Group's Internal Risk teams for credit performance and to ensure compliance with current regulations and that customers are being treated fairly. Further information can be found included in note 20.1.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by Internal Risk teams. The Company's ability to meet its funding obligations, which is all intercompany, is closely monitored by the Group's Corporate Treasury team. Further information can be found in note 20.2.

Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of operating lease agreements where the Company retains title of the asset. The Company is exposed to fluctuations in the value of second hand motor vehicles and will be adversely impacted if disposal proceeds are less than the forecasted net book value.

The Company holds larger residual value impairment against electric cars and considers prospective depreciation to reflect uncertainty around technological development, the lack of market data on second hand electric vehicles and the existing price premium over non-electric vehicles. The growing popularity in electric vehicles increases the Company's exposure to electric vehicles which increases the Company's residual value risk. Further information can be found in note 20.3.

Interest rate risk

Interest rate risk exists where the assets and liabilities have returns set under a different basis or are reset at different times. The Company is exposed to interest rate risk due to intercompany funding being provided under variable rate terms, where rentals earned on operating lease assets are priced up front and fixed over a contractual period. This risk is monitored and managed closely by the Group's Corporate Treasury Team. Further information can be found in note 20.4.

Covid-19 pandemic

Due to lockdowns and restricted production, the global micro-chip shortage has caused disruption to manufacturer delivery times in 2021. Whilst the measures, particularly in the UK, have now largely ended, the knock on impact on the supply of new vehicles to customers continues to be a challenge. Lex is mitigating the impact by enabling existing customers to extend their leases until new vehicles can be supplied, however it remains uncertain when the vehicle supply market will return to pre-pandemic production levels.

Exit from the European Union

The Company is part of the wider Lloyds Banking Group, and, at that level, following the UK's vote to leave the European Union ("EU") and the UK's subsequent exit from the EU on the 31 December 2020, consideration of many of the potential implications has been undertaken. Work continues to assess the impact of the EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications, however impacts are not considered to be material to the Company's financial performance in 2021.

Key performance indicators ("KPIs")

The directors consider that the key drivers of performance for the Company are Profit before tax, the value of new operating lease business and the overall value of the total funded vehicle assets.

The Profit before tax in 2021 is £433,180,000 which compares to 2020 of £109,938,000. The increase in Profit before tax is due to;

- Lower depreciation and impairment charges on operating leases in 2021 £744,105,000 (2020 £936,916,000).
- Higher profits on disposal of vehicle assets in 2021 £231,905,000 (2020 £109,528,000).
- Lower operational expenses in 2021 £95,174,000 (2020 £129,850,000).

Within Property, plant and equipment, the Company has written new operating lease business during the year of £1,613,804,000 (2020 restated: £1,374,901,000) offset by disposals with an original cost of £1,579,953,000 (2020 restated: £1,826,121,000).

The main component of the Company's vehicle assets relates to operating leases, accounting for 92% of the total funded fleet. The remaining 8% of the fleet is made up of vehicle assets under finance leases, contract purchase agreements and employee car ownership schemes.

Strategic report (continued)

For the year ended 31 December 2021

Key performance indicators ("KPIs") (continued)

The closing total funded fleet size moved from 300,227 vehicles to 278,471 vehicles, a 7% decrease (2020: 12% decrease). This movement compares to a 3% increase (2020: 9% decrease) in the value of the Company's total funded vehicle assets from £4,170,720,000 to £4,303,955,000. The average total funded fleet size decreased from 321,178 vehicles in 2020 to 285,948 in 2021, a decrease of 11% (2020: decrease 11%).

The increase in the value of the Company's total funded vehicle assets versus the decrease in the number of vehicles is being caused by the general increase in the cost of new vehicles plus a mix switch to more expensive electric vehicles or hybrid systems. This is expected to result in a continued increase in the value of funded vehicles in 2022 and longer term, further supported by increases in the fleet size.

Section 172(1) statement

In accordance with the Companies Act 2006 ("the Act"), for the year ended 31 December 2021, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172. The directors remain mindful in all their deliberations of the long-term consequences of their decisions, as well as the importance of maintaining a reputation for high standards of business conduct and taking account of the views of key stakeholders.

Statement of engagement with employees and other stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the directors have engaged with, and had regard to, the interest of key stakeholders only, as the Company has no direct employees. The Company is a subsidiary of LBG, and as such follows many of the processes and practices of LBG, which are further referred to in this statement where relevant.

Customers

The directors ensure the Company, as part of the Group, works toward achieving LBG's customer ambitions and by focusing on customer service. The Company is an active participant in the broader Motor Finance Group initiatives. One initiative the Company has continued to invest in is transforming its digital platforms to enhance the services for customers, and through the transition to a digital first servicing model the Company aims to further help customers service their needs online efficiently, effectively and securely.

Digitisation and a focused effort to tackle complaint root causes has resulted in a steady decline in complaint volumes which had seen growth in earlier years due to growth in book size and Covid-19 increasing complaint volumes and delaying key initiatives. Whilst significant progress has been made, including through the development of digital self service journeys tailored to both our personal and corporate customers, plans to continue this decline will be a key focus of the Company.

Employees

As part of the Group, the Company's approach to employee matters and employee engagement is aligned to that of the Group, where colleagues take pride in working for an inclusive and diverse organisation which continues to work towards building a culture in which everyone feels included, empowered and inspired to do the right thing for customers. This is embodied in the Groups refreshed Values for 2022 of Trust, People First, Inclusivity and Innovative Thinking. In 2019, the LBG Board agreed how LBG, including the Company, would engage the workforce, which has remained unchanged during the year.

The definition of 'workforce', as agreed by the LBG Board is permanent employees, contingent workers and third-party suppliers that work on LBG premises delivering services to customers and supporting key business operations.

During the Covid-19 pandemic the Company has taken steps to support employees impacted by the pandemic for example with policies to support colleagues requiring time off for caring responsibilities, whilst ensuring that employees can continue to perform their roles with minimal disruption, including many employees working from home. The focus has now moved to a hybrid platform of office and home work, enabling colleagues to combine the benefits of on site collaboration with the working pattern flexibility of a home environment.

Shareholders

The Company is a wholly owned subsidiary of ACL Autolease (Holdings) Limited, forming part of LBG's Retail Division. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of LBG, ensuring that the interests of LBG as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of LBG with its shareholders is included within the Strategic report within the LBG Annual Report and Accounts for 2021, which does not form part of this report, available on the LBG website: <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

Communities and the environment

The Company continues to support LBG's related initiatives, including Helping Britain Prosper by actively managing its current book of contract hire products and other loans. In addition, the Company is an integral part of supporting the Group's desire to transition to electric vehicles, forming part of a number of commitments it has made to support the green agenda.

Strategic report (continued)

For the year ended 31 December 2021

Section 172(1) statement (continued)

Communities and the environment (continued)

For example the Lloyds Banking Sustainable Car scheme launched in April 2021 and allows all eligible colleagues to sacrifice part of their salary for use of an Ultra Low Emission Vehicle which are supplied and maintained by the Company, and includes a discount on the cost of installing a domestic charge point. This is a proposition that is also available to our Corporate clients for their employees.

Further information in respect of LBG's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the LBG's Annual Report and Accounts for 2021, which does not form part of this report. Additional information on LBG's Helping Britain Recover Plan is available on the LBG website: <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

Regulators

The Company provides updates to relevant regulators including disclosures on its capital position. Whilst regulatory matters are a small part of the Company's business, the Company is regulated by the FCA as part of its regulation of the broader activity of the Group. The approach of the Group, including that of the Company, to managing regulatory change is detailed in the LBG Annual report and accounts for 2021, which does not form part of this report, and is available on the LBG website: <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

How Stakeholder interest has influenced decision making

The directors acknowledge that one of the primary responsibilities of the board is to ensure the strategy of the Company, as aligned to that of LBG, is to effectively manage its customer base to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct to maintain the Company's reputation.

During 2021 an area of particular focus for the directors has been to continue to steer through the challenges faced into as a result of the global pandemic from both an operational and customer perspective, ensuring alignment with guidance from LBG and regulators. For example working with our Customer Financial Assistance teams to ensure appropriate support measures are in place for customers experiencing longer term financial difficulties as a result of the pandemic, including payment holidays and increased lease extensions.

Emerging risks

A key risk continues to be the ongoing uncertainty from the global pandemic and any potential longer term impacts. The ongoing uncertainty from the global micro-chip shortage as to the impact on delivery times of new vehicles and customers requiring an extension of their original lease term. It remains uncertain as to how long it will be before production levels are back in line with pre-pandemic volumes.

A further risk is the impact of the climate change agenda on the Company's ability to facilitate a switch from vehicles with internal combustion engines to electric vehicles. The Company is working with its customers to develop products and propositions to facilitate the switch to electric vehicles. The growth of the electric vehicle market poses a risk of uncertainty in the residual value estimates that the Company assumes in pricing. This could impact the Company's relative competitiveness in the market where other lenders take a different view of residual values, and/or could result in the need to adjust the Company's impairment provisions.

There is the risk that further uplifts to the Bank of England base rate will increase the finance costs of the business which may impact future results. In 2022, the Company raised a number of fixed term funding deals to manage its exposure to this risk and Group Corporate Treasury will continue to monitor the situation and react accordingly.

The Company is out of scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not have to report on SECR in its own Directors' report where included in the Group SECR statement of a UK Group report. Further information in respect of SECR is included within the LBG Annual Report and Accounts for 2021, which does not form part of this report, available on the LBG website.

General

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



R A Jones
Director
15th August 2022

Directors' report

For the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

General information

The Company is a private company limited by shares, incorporated, registered and domiciled in England and Wales, United Kingdom (registered number: 01090741). The address of the Company's registered office is shown later in this report. The directors in office are listed further in this report and the Company Secretary is D D Hennessey.

The Company was party to two undisclosed agency agreements with HVF Limited, a fellow subsidiary undertaking within the Group. Under the terms of these agreements, HVF Limited's principal activity was to introduce contract hire and credit business to the Company. This ended in 2020 when the Company became dormant.

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

Employees

The Company has no direct employees (2020: nil). All staff are employed by other companies within the Group and the relevant staff costs are recharged to the Company. Full details of policies relating to disabled persons, together with details of actions taken regarding the provision of information to employees, their consultation and involvement, are shown in the 2021 Annual report and Accounts of the Group, which does not form part of this report, and is available on the LBG website.

Dividends

A dividend of £269,000,000 (2020: £nil) was proposed during the year and paid post year-end in February 2022. See post balance sheet note 24.

Going concern

The directors are satisfied that the financial statements have been prepared on a going concern basis taking into account the following:

- there is a net asset position of £833,269,000 (2020: £428,821,000);
- the Company does not have external debt and is funded by other companies within the Group;
- the Company will continue to be able to repay its liabilities as they fall due through its liquid assets and/or its ability to drawdown on further funding as required from its intermediate parent, Lloyds Bank plc; and
- that it is the intention of Lloyds Bank plc, to continue to provide adequate access to liquidity for the foreseeable future.

Post balance sheet events

A dividend of £269,000,000 (2020: £nil) was proposed during the year and paid post year end in February 2022, see note 24.

Registered office

The Company's registered office is 25 Gresham Street, London, EC2V 7HN.

Directors

The current directors of the Company are shown below.

R A Jones
J McCaffrey
I S Perez
K Morris
G D Gould

The following changes have also taken place between the beginning of the reporting period and the approval of the Annual report and accounts.

| | |
|-------------|--------------------------------|
| R J H Milne | (resigned 14th March 2021) |
| K Morris | (appointed 6th August 2021) |
| G D Gould | (appointed 10th February 2022) |

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Future outlook and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on pages 1 to 4.

Directors' report (continued)

For the year ended 31 December 2021

Statement of engagement with employees and other stakeholders

A statement of engagement with employees and other stakeholders is included in the Strategic report on page 3.

Approach to Corporate Governance

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 31 December 2021, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at frc.org.uk. The following section explains the Company's approach to corporate governance, and its application of the Principles.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of LBG, and overseeing delivery against it. The Company's strategy is discussed further in the Strategic Report on pages 1 to 4 of these financial statements. The Board also assumes responsibilities for the management of the culture, values and wider standards of the Company, within the equivalent standards set by the Group, which are discussed in the Group annual report and accounts for 2021, which does not form part of this report, and is available on the LBG website.

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers is a vital part of the corporate culture. The Company's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers. To this end, the Board plays a role in establishing, promoting and monitoring the Company's corporate culture and values, aligning to the culture and values of the Group, which are discussed in more detail in the Group annual report and accounts for 2021, which does not form part of this report, and is available on the LBG website.

Principle Two – Board Composition

The Company is led by a Board comprising the executive directors which can be found on page 5 of this report. The Board considers its composition regularly, and is committed to ensuring it has the right balance of skills and experience. The Board considers that its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the Board overall. There is a range of initiatives within the Group to help provide mentoring and development opportunities for female and BAME executives, and to ensure unbiased career progression opportunities.

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development. The effectiveness review is commissioned by the Board, assisted by the Company Secretary.

Principle Three – Director Responsibilities

The directors assume ultimate responsibility for the affairs of the Company, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation through related Group processes. Policies are also in place in relation to potential conflicts of interest which may arise.

Principle Four – Opportunity and Risk

Strategic opportunities which may arise are considered in the first instance by the Board of the Group, as part of the Group Board's role in considering such opportunities relevant to itself and its subsidiaries. Any opportunity which is specifically relevant to the Company is subsequently considered by the Board.

The Board is responsible for the long term sustainable success of the Company, generating value for its shareholder and ensuring a positive contribution to society. Key to this is the Company's culture, purpose, values and strategy, as discussed under Principle One, which are closely aligned to those of the Group.

Strong risk management is central to the strategy of the Company, which along with a robust risk and control framework, acts as the foundation for the delivery of effective risk management. The Board agrees the Company's risk appetite, within the wider risk appetite of the Group, and ensures the Company manages risk effectively through delegation within the management hierarchy. Board level engagement, coupled with the direct involvement of management in risk issues, ensures that escalated issues are promptly addressed and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of the Group, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principle risks are discussed further within note 20.

Directors' report (continued)

For the year ended 31 December 2021

Approach to Corporate Governance (continued)

Principle Five – Remuneration

The Remuneration Committee of the Group assumes responsibility for the approach to remuneration for certain of its subsidiaries, including that of the Company. This includes reviewing and making recommendations to the Group Board on remuneration policy. Whilst the Company has no direct employees (2020: nil), all staff are employed by an intermediate parent undertaking, either Lloyds Bank Asset Finance Limited, Lloyds Bank plc or HBOS plc, and all staff costs are recharged to the Company.

Principle Six – Stakeholders

The Company, as part of the Group, operates under the Group's wider Responsible Business approach, as overseen by the Lloyds Banking Group plc Responsible Business Committee. Helping Britain Recover is central to the Group's responsible business approach and the Company supports this initiative through supporting the needs of its customers and colleagues during these uncertain times.

In 2021, the Responsible Business Committee determined that the Company and the Group continued to demonstrate responsibility as a key priority, including keeping customers' data safe, supporting vulnerable customers, lending responsibly, supporting businesses and working with suppliers.

The Company is also focused on achieving its objectives around the climate change agenda and is working with its stakeholders to develop products, propositions and financial incentives to facilitate the switch to electric vehicles.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the directors who joined the board of the Company during the financial year. Directors no longer in office but who served on the Board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Disclosure of information to the auditors

In the case of each director in office at the date the directors' report is approved:

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

Directors' report (continued)

For the year ended 31 December 2021

Independent auditor

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

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

A handwritten signature in black ink, appearing to read 'R A Jones', written over a faint horizontal line.

R A Jones
Director
15th August 2022

Statement of comprehensive income

For the year ended 31 December 2021

| | Note | 2021 £'000 | Restated 2020 £'000 |
|--|------|-----------------|---------------------------|
| Revenue | 3 | 2,143,492 | 2,265,848 |
| Direct costs | 3 | (1,568,880) | (1,962,402) |
| Gross profit | | 574,612 | 303,446 |
| Interest income | 4 | 169 | 676 |
| Interest expense | 4 | (46,427) | (64,334) |
| Net interest expense | | (46,258) | (63,658) |
| Other operating expenses | 3 | (95,174) | (129,850) |
| Profit before tax | | 433,180 | 109,938 |
| Taxation | 8 | (28,732) | (1,444) |
| Profit for the year, being total comprehensive income | | 404,448 | 108,494 |

The comparatives have been restated to reflect the accounting restatement as explained in note 23.

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

Balance sheet

As at 31 December 2021

| | Note | 2021 | Restated 2020 | Restated As at 1 January 2020 |
|---------------------------------------|------|------------------|------------------|-------------------------------------|
| | | £'000 | £'000 | £'000 |
| ASSETS | | | | |
| Cash and cash equivalents | | 159,751 | 111,363 | 225,725 |
| Trade and other receivables | 9 | 244,543 | 289,117 | 257,279 |
| Loans and advances to customers | 10 | 202,968 | 238,320 | 306,715 |
| Property, plant and equipment | 11 | 4,110,992 | 3,942,717 | 4,335,482 |
| Intangible assets | 12 | 5,183 | 7,806 | 10,458 |
| Deferred tax asset | 16 | 223,537 | 200,184 | 166,125 |
| Total assets | | 4,946,974 | 4,789,507 | 5,301,784 |
| LIABILITIES | | | | |
| Borrowed funds | 13 | 3,617,653 | 3,833,300 | 4,468,760 |
| Current tax liability | | 86,808 | 70,225 | 111,723 |
| Trade and other payables | 14 | 355,105 | 403,289 | 369,412 |
| Provision for liabilities and charges | 15 | 54,139 | 53,872 | 31,562 |
| Total liabilities | | 4,113,705 | 4,360,686 | 4,981,457 |
| EQUITY | | | | |
| Share capital | 18 | 5,963 | 5,963 | 5,963 |
| Retained earnings | | 827,306 | 422,858 | 314,364 |
| Total equity | | 833,269 | 428,821 | 320,327 |
| Total equity and liabilities | | 4,946,974 | 4,789,507 | 5,301,784 |

The comparatives have been restated to reflect the accounting restatement as explained in note 23.

The accompanying notes to the financial statements 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:



R A Jones
Director
15th August 2022

Statement of changes in equity

For the year ended 31 December 2021

| | Share capital | Retained earnings | Total equity |
|--|------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 |
| At 1 January 2020 | 5,963 | 314,364 | 320,327 |
| Profit for the year being total comprehensive income | — | 108,494 | 108,494 |
| At 31 December 2020 | 5,963 | 422,858 | 428,821 |
| Profit for the year being total comprehensive income | — | 404,448 | 404,448 |
| At 31 December 2021 | 5,963 | 827,306 | 833,269 |

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

Cash flow statement

For the year ended 31 December 2021

| | Note | 2021 £'000 | Restated 2020 £'000 |
|---|------|------------------|---------------------------|
| Cash flows generated from/(used in) operating activities | | | |
| Profit before tax | | 433,180 | 109,938 |
| Adjustments for: | | | |
| - Interest income | 4 | (169) | (676) |
| - Interest expense | 4 | 46,427 | 64,334 |
| - Depreciation and impairment of Property, plant and equipment | 3 | 744,417 | 937,229 |
| - Amortisation of intangible assets | 3 | 2,623 | 2,652 |
| - Purchase of property, plant and equipment | 11 | (1,613,804) | (1,374,901) |
| - Net book value of disposal of Property, plant and equipment | 3 | 701,112 | 830,437 |
| - Increase in provision for liabilities and charges | 3 | 267 | 22,310 |
| Changes in operating assets and liabilities: | | | |
| - Net decrease in Loans and advances to customers | 10 | 35,352 | 68,395 |
| - Net decrease/(increase) in Trade and other receivables | 9 | 44,574 | (31,838) |
| - Net (decrease)/increase in Trade and other payables | 14 | (48,184) | 33,877 |
| Cash generated from operations | | 345,795 | 661,757 |
| Tax paid | | (35,502) | (77,001) |
| Net cash generated from operating activities | | 310,293 | 584,756 |
| Cash flows generated from investing activities | | | |
| Interest received | 4 | 169 | 676 |
| Net cash used generated from investing activities | | 169 | 676 |
| Cash flows used in financing activities | | | |
| Decrease in net borrowings with group undertakings | 19 | (215,647) | (635,460) |
| Interest paid | 4 | (46,427) | (64,334) |
| Net cash generated used in financing activities | | (262,074) | (699,794) |
| Change in Cash and cash equivalents | | 48,388 | (114,362) |
| Cash and cash equivalents at beginning of year | 19 | 111,363 | 225,725 |
| Cash and cash equivalents at end of year | | 159,751 | 111,363 |

The comparatives have been restated to reflect the accounting restatement as explained in note 23.

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

Notes to the financial statements

For the year ended 31 December 2021

1. Accounting policies

1.1 Basis of preparation

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

The financial statements of the Company comply with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been 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"). IFRS comprises accounting standards prefixed IFRS issued by IASB and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

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

No new IFRS pronouncements that had a material impact have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 25. No standards have been early adopted.

The principal activities of the Company are set out in the Strategic report on page 1.

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 presentational currency.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Revenue

Revenue substantially comprises rental income earned from operating lease services rendered to customers, which is credited to the Statement of comprehensive income on a straight line basis, and due to the company routinely disposing of its assets, the sales proceeds received on disposal of ex leased vehicles. Vehicle sales are recognised in the period in which the sale occurs, with the book value of the vehicle being charged to direct costs.

Included within revenue is income in respect of vehicle maintenance agreements. Customers can purchase service packages for their leased vehicles, paid for through a fixed amount each month over the duration of the contract. The Company's performance obligation to the customer is to provide maintenance services on an ongoing basis for them to utilise as required. This obligation is deemed to be satisfied at the end of each month, and so the Company recognises the Revenue monthly.

The Company recognises the total expected maintenance expenditure for an agreement evenly over the life of that agreement. This cost is charged to the Statement of comprehensive income through Direct costs and a maintenance accrual is held in Trade and other payable which is then utilised in line with the actual expenditure incurred. Any maintenance accrual amounts in excess of cumulative maintenance expenditure over the length of the contract are credited to the Statement of comprehensive income through Direct costs in the period the contract terminates.

These services are provided on a principal basis as the risk and reward is retained by the Company and the customers have no ongoing relationship with the garages performing the service. The Company does not refund maintenance fees paid if the customer terminates the contract early.

Other income includes amounts arising at the end of vehicle contracts, which are recognised in the period during which the contract terminates.

Interest receivable on credit sale agreements, finance lease agreements and contract purchase agreements is credited to the Statement of comprehensive income over the contractual life of each contract 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 contractual life of the financial instrument.

For loan products, the effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of a financial instrument to the net carrying amount of the financial asset or liability. The effective interest rate for leasing products is similar except that future cash payments or receipts are assessed over the contractual life of the agreement.

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

Lease Classification

Assets leased to customers under finance lease and hire purchase agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Lease agreements, which do not represent finance leases, are classified as operating leases. Assets leased to customers under such agreements are included in Property, plant and equipment and are depreciated over their lease term down to their anticipated realisable value on a straight line basis. Anticipated realisable values are regularly reassessed and the impact upon the depreciation charge is adjusted prospectively.

1.3 Financial assets and liabilities

Financial assets comprise Cash and cash equivalents, Trade and other receivables and Loans and advances to customers. Financial liabilities comprise Borrowed funds and Trade and other payables. On initial recognition, all financial assets are classified and measured at amortised cost. All financial liabilities are measured at amortised cost.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

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.

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

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost are Loans and advances to customers, Cash and cash equivalents, Amounts due from group undertakings and Trade and other receivables. Loans and advances are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Expected credit losses are deducted from loans and advances and finance lease receivables. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the Statement of comprehensive income.

1.4 Impairment

Impairment of financial assets

Trade receivables and impairment of trade receivables

Owned vehicles leased to customers under operating leases reflect the Company's principal trading activity, accounting for more than 90% of the Company's funded fleet and associated activities.

Trade receivables represent amounts outstanding from operating lease customers in relation to rentals due. Provisions held against these trade receivables make up the majority of the impairment on financial assets.

A simplified model for impairment is applied to provide for lifetime expected credit losses when a customer has defaulted or the debt is overdue by 4 months or more.

Loans and advances to customers

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses and certain fraud write offs and recoveries. Expected credit losses are recognised for loans and advances to customers and other financial assets held at amortised cost. Expected credit losses are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any repayments and including the impact of discounting using the effective interest rate.

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

1.4 Impairment (continued)

Impairment of financial assets (continued)

Impairment of loans and advances (continued)

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, 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.

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 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 Company'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.

The use of a payment holiday in itself has not been judged to indicate a significant increase in credit risk, with the underlying long-term credit risk deemed to be driven by economic conditions and captured through the use of forward-looking models. These portfolio level models are capturing the anticipated volume of increased defaults and therefore an appropriate assessment of staging and expected credit loss. 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. The Company uses the IFRS 9 rebuttable presumption that default occurs no later than when a payment is 90 days past due. The use of payment holidays is not considered to be an automatic trigger of regulatory default and therefore does not automatically trigger Stage 3. Days past due will also not accumulate on any accounts that have taken a payment holiday including those already past due.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer credit impaired (for a return to Stage 2). On renegotiation the gross carrying amount of the loan is recalculated as the present value of the renegotiated or modified contractual cash flows, which are discounted at the original effective interest rate. Renegotiation may also lead to the loan and associated allowance being derecognised and a new loan being recognised initially at fair value.

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

- unlikely to pay material obligation (> £1,000 in line with regulatory definition of default); or
- material breach of terms of facility; or
- a payment is past due by 90 days.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

1.5 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise balances with less than three months' maturity.

1.6 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 other relevant 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.

1.7 Dividends paid

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

1.8 Property, plant and equipment

Property, plant and equipment includes freehold land and buildings and owned vehicles leased to customers. Owned vehicles leased to customers are stated at cost and are depreciated to expected residual values on a straight line basis over its expected economic life, typically between 3 and 7 years.

The residual values of Property, plant and equipment are regularly reviewed, any changes in forecast residual values are accounted for in forward looking depreciation over the life of the asset.

Buildings are stated at cost and are depreciated using the straight line method to allocate the difference between the cost and expected residual value over the estimated useful life. Land is not depreciated.

Notes to the financial statements (continued)

For the year ended 31 December 2021

1. Accounting policies (continued)

1.8 Property, plant and equipment (continued)

Impairment of Property, plant and equipment

Impairment of owned vehicles leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the Statement of comprehensive income.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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, including future rentals receivable and a current assessment of residual values, discounted at the Company's weighted average cost of capital. This assessment is performed on an asset by asset basis. The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience.

1.9 Intangible assets

Expenses incurred for software product development are expensed as incurred unless the technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Such expenses and advances paid for software development which is not yet ready for the intended use as at the Balance sheet date are recognised as Intangible assets. Once they are completed for the intended use, the Intangible assets are carried at historical costs less accumulated amortisation, and are amortised over a period of 7 years using the straight line method.

1.10 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

Provision for liabilities and charges

The Company carries a provision in respect of amounts contractually payable to customers for under-mileage, in respect of its lease agreements and views this provision as a key source of estimation uncertainty. The provision is management's best estimate of amounts due to customers and underlying assumptions are reviewed periodically using the most up to date and readily available mileage information from live contracts, with adjustments made to the provision where appropriate. The provision at the end of 2021 was based on a 42% coverage of the pool balance of £128m.

Estimates of the timing of the outflows are based on contract term. The average term of contracts added in 2021 was 3 years with a range of terms from 6 months to 7 years. The estimated value of the outflow is less certain and the provision has increased by £22,500,000 pre-pandemic to take into account lower mileage reported in 2020 and 2021. It is not known whether this will continue and for how long.

Accordingly, set below is an indication of the sensitivity of the impact to changes in the pool balance as at the balance sheet date, on the provision charge:

| | 1pp | | 2pp | | 5pp | |
|------------------|-----------|----------|-------------|-----------|-------------|-----------|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| | £ | £ | £ | £ | £ | £ |
| Provision charge | (916,600) | 916,600 | (1,454,200) | 1,454,200 | (3,067,000) | 3,067,000 |

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Owned vehicles leased to customers

The Company views the residual value of its operating leases as a key source of estimation uncertainty and as a result regularly reviews and estimates the residual value of its operating lease assets net of selling costs at the end of contract by reference to independent market value data and the prevailing economic conditions. The adjustment arising from the reviews are dealt with as set out in note 1.8.

Impairment of Property, plant and equipment for changes in residual value

The used car market in the UK is mature with prices dependent upon a broad range of economic and vehicle specific factors. These factors are taken into consideration by means of the data provided by market specialists, overlaid with adjustments to reflect Company specific knowledge and experience. The expected market price determined in this manner is the most significant assumption impacting the expected residual value of vehicles net of selling costs.

For the purpose of performing impairment testing a critical accounting judgement used is the discount rate to determine future cashflows for which Weighted Average Cost of Capital is used.

Whilst the likely future used vehicle prices are determined based on management's best estimate, it is possible that the actual outcome will be different. The relationship between used vehicle prices and the level of impairment required is non-linear because the initial impact of used vehicle price reduction impacts the prospective depreciation until the fall reaches a level whereby the individual lease contract is impaired at which point there is an immediate impact on profit and loss.

Accordingly, set out below is an indication of the sensitivity of the impact to adjustments to the impairment at the Balance sheet date based on potential changes in the average future price of used cars:

Management identify different market factors that impact the future values of internal combustion engines (ICE) compared with electric vehicles (EVs) and make specific considerations when determining the level of impairment. The table below shows the combined sensitivity across the whole fleet including both internal combustion engines and electric vehicles.

| | 1pp | | 2pp | | 5pp | |
|-------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Increase £ | Decrease £ | Increase £ | Decrease £ | Increase £ | Decrease £ |
| Impairment charge | (3,987,000) | 4,799,000 | (7,572,000) | 10,492,000 | (15,461,000) | 31,785,000 |

3. Profit before tax

| | 2021 £'000 | Restated 2020 £'000 |
|--|------------------|---------------------------|
| Revenue | | |
| Aggregate rentals receivable from operating lease contracts | 1,202,708 | 1,285,643 |
| Interest receivable on finance lease agreements | 10,055 | 13,509 |
| Interest receivable on contract purchase agreements | 3,808 | 4,630 |
| Interest receivable on credit sale agreements | 837 | 1,626 |
| Fleet management fees | 6,123 | 7,080 |
| Proceeds from disposal of property, plant and equipment | 909,906 | 939,965 |
| Other revenue | 10,055 | 13,395 |
| | 2,143,492 | 2,265,848 |
| Direct costs | | |
| Depreciation and impairment on owned vehicles leased to customer (see note 11) | 744,105 | 936,916 |
| Cost of sale on disposal of Property, plant and equipment (see note 11) | 678,001 | 830,437 |
| Impairment (credit)/charge on Loans and advances to customers (see note 5) | (986) | 2 |
| Impairment of Trade receivable (see note 5) | 2,724 | 14,909 |
| Other provision charge (see note 15) | 267 | 22,310 |
| Other costs | 144,769 | 157,828 |
| | 1,568,880 | 1,962,402 |

Notes to the financial statements (continued)

For the year ended 31 December 2021

3. Profit before tax (continued)

| | 2021 £'000 | 2020 £'000 |
|---|---------------|----------------|
| Other operating expenses | | |
| Staff costs (see note 6) | 47,395 | 49,164 |
| Depreciation on freehold land and buildings (see note 11) | 312 | 313 |
| Amortisation of Intangible assets (see note 12) | 2,623 | 2,652 |
| Auditors remuneration - audit work | 105 | 100 |
| Other costs | 44,739 | 77,621 |
| | 95,174 | 129,850 |

Included within Aggregate rentals receivable from operating lease contracts is income in respect of vehicle maintenance agreements of £69,578,000 (2020: £82,088,000).

The comparatives have been restated to reflect the accounting restatement as explained in note 23.

4. Net interest income and interest expense

| | 2021 £'000 | 2020 £'000 |
|--|-----------------|-----------------|
| Interest income on intercompany deposits | 169 | 676 |
| | 169 | 676 |
| Interest expense on intercompany borrowings | (46,427) | (64,334) |
| | (46,427) | (64,334) |

5. Credit impairment losses

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---------------------------------|------------------|------------------|------------------|----------------|
| 31 December 2021 | | | | |
| Transfers between stages | (1) | 1 | — | — |
| Other changes in credit quality | (246) | 1,513 | 12,682 | 13,949 |
| Repayments | (740) | (1,728) | (9,743) | (12,211) |
| | (987) | (214) | 2,939 | 1,738 |
| In respect of: | | | | |
| Trade receivables | — | (215) | 2,939 | 2,724 |
| Loans and advances to customers | (987) | 1 | — | (986) |
| | (987) | (214) | 2,939 | 1,738 |

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---------------------------------|------------------|------------------|------------------|----------------|
| 31 December 2020 | | | | |
| Transfers between stages | (1) | 3 | — | 2 |
| Other changes in credit quality | 553 | 1,724 | 9,602 | 11,879 |
| (Repayments)/additions | (528) | (24) | 3,582 | 3,030 |
| | 24 | 1,703 | 13,184 | 14,911 |
| In respect of: | | | | |
| Trade receivables | — | 1,725 | 13,184 | 14,909 |
| Loans and advances to customers | 24 | (22) | — | 2 |
| | 24 | 1,703 | 13,184 | 14,911 |

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Staff costs

| | 2021 | 2020 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 36,593 | 38,523 |
| Social security costs | 3,794 | 3,984 |
| Share based payments | 947 | 878 |
| Pension Costs | 6,061 | 5,779 |
| | 47,395 | 49,164 |

The Company has no direct employees. The staff costs disclosed above were paid in respect of employees directly allocated to the Company from other group companies. The average monthly number of allocated employees during the year was 1,025 (2020:1,036). Whilst all staff contracts of service are with either Lloyds Bank Asset Finance Limited, Lloyds Bank plc or HBOS plc, these employees are involved directly in the day to day operations of the Company and therefore 100% of associated costs are allocated.

The above staff costs do not include any employees who are considered part of Group central functions including finance, tax, human resources and legal, whose costs are recharged on a proportional basis, as per the cost allocation model, and whose costs are therefore included as part of operating expenses shown in Note 3.

The Company participates in various defined benefit and defined contribution pension schemes operated by companies within the Group. The Company's ultimate parent company operates a number of group wide, equity settled, share based compensation plans and share based payment schemes. Further details in respect of the schemes can be found in the 2021 financial statements of the Bank's ultimate parent undertaking, copies of which may be obtained from the Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

7. Directors' emoluments

The directors' emoluments payable for services provided to the Company are set out below:

| | 2021 | 2020 |
|------------------------------------|------------|------------|
| | £'000 | £'000 |
| Aggregate emoluments | 142 | 162 |
| Aggregate post-employment benefits | 15 | 1 |
| | 157 | 163 |

The amounts reported above are an allocation of a proportion of the directors' total remuneration insofar as it relates to qualifying services for their role as a director of the Company.

The number of directors to whom retirement benefits accrued under defined benefit and defined contribution schemes is three and two respectively (2020: three and one respectively). No directors exercised share options in the ultimate parent company during the year (2020: none). During the year no director leased or purchased a vehicle from the Company. The number and total amount of the outstanding loans to directors, officers and connected persons as at 31 December 2021 was £nil (2020: £nil)

The directors are employed by other companies within the Group and 1 director (2020: 1) consider that their services to the Company are incidental to their responsibilities within the Group. In 2021, no compensation was received by the directors for loss of office (2020: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2021

8. Taxation

a) Analysis of charge for the year

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| UK corporation tax: | | |
| - Current tax on taxable profit for the year | 51,781 | 35,739 |
| - Adjustments in respect of prior years | 304 | (236) |
| Current tax charge | 52,085 | 35,503 |
| UK deferred tax: | | |
| - Origination and reversal of timing differences | 30,584 | (14,790) |
| - Due to change in UK corporation tax rate | (53,649) | (19,515) |
| - Adjustments in respect of prior years | (288) | 246 |
| Deferred tax credit (see note 16) | (23,353) | (34,059) |
| Tax charge | 28,732 | 1,444 |

Corporation tax is calculated at a rate of 19.00% (2020:19.00%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

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

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Profit before tax | 433,181 | 109,938 |
| Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%) | 82,304 | 20,888 |
| Factors affecting charge: | | |
| - Due to change in UK corporation tax rate | (53,649) | (19,515) |
| - Disallowed and non-taxable items | 61 | 61 |
| - Adjustments in respect of prior years | 16 | 10 |
| Tax charge on profit on ordinary activities | 28,732 | 1,444 |
| Effective rate | 6.63% | 1.31% |

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.

9. Trade and other receivables

| | 2021 £'000 | 2020 £'000 |
|-------------------|---------------|---------------|
| Trade receivables | 145,244 | 170,005 |
| Prepayments | 24,840 | 42,852 |
| Other debtors | 74,459 | 76,260 |
| | 244,543 | 289,117 |

Notes to the financial statements (continued)

For the year ended 31 December 2021

10. Loans and advances to customers

10.1 Loans and advances to customers - maturity

| | 2021 | Restated 2020 |
|--|---------|------------------|
| | £'000 | £'000 |
| Advances under finance lease and hire purchase contracts | 177,338 | 197,543 |
| Amounts receivable on credit sales agreements | 3,916 | 8,617 |
| Other loans and advances to customers | 23,901 | 35,336 |
| Gross loans and advances to customers | 205,155 | 241,496 |
| Less: allowances for losses on loans and advances | (2,187) | (3,176) |
| Net loans and advances to customers | 202,968 | 238,320 |
| of which: | | |
| Due within one year | 122,414 | 176,048 |
| Due after one year | 80,554 | 62,272 |
| | 202,968 | 238,320 |

Loans and advances to customers include finance lease and hire purchase receivables:

| | 2021 | Restated 2020 |
|---|----------|------------------|
| | £'000 | £'000 |
| Gross investment in finance lease and hire purchase contracts receivable: | | |
| - no later than one year | 103,697 | 155,514 |
| - later than one year and no later than two years | 30,756 | 34,047 |
| - later than two years and no later than three years | 23,278 | 15,184 |
| - later than three years and no later than four years | 21,699 | 6,439 |
| - later than four years and no later than five years | 11,056 | 1,856 |
| - later than five years | — | 69 |
| | 190,486 | 213,109 |
| Unearned future finance income on finance lease and hire purchase contracts | (13,148) | (15,566) |
| Net investment in finance lease and hire purchase contracts | 177,338 | 197,543 |

The net investment in finance lease and hire purchase contracts may be analysed as follows:

| | 2021 | Restated 2020 |
|---|---------|------------------|
| | £'000 | £'000 |
| - no later than one year | 101,464 | 147,994 |
| - later than one year and no later than two years | 27,896 | 29,686 |
| - later than two years and no later than three years | 20,196 | 12,821 |
| - later than three years and no later than four years | 18,647 | 5,400 |
| - later than four years and no later than five years | 9,135 | 1,584 |
| - later than five years | — | 58 |
| | 177,338 | 197,543 |

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2020: £nil) and there is no allowance for uncollectible minimum lease payments receivable (2020: £nil).

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 1 and 5 years. Further analysis of Loans and advances to customers is provided in note 20.

Notes to the financial statements (continued)

For the year ended 31 December 2021

10. Loans and advances to customers (continued)

10.2 Loans and advances to customers - movement over time

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Balance at 1 January 2021 | 241,209 | 40 | 247 | 241,496 |
| Transfers to Stage 2 | (48) | 48 | — | — |
| Net decrease in loans and advances to customers | (36,110) | (50) | (133) | (36,293) |
| Advances written off | — | — | (48) | (48) |
| Gross loans and advances to customers at 31 December 2021 | 205,051 | 38 | 66 | 205,155 |
| Less: allowances for losses on loans and advances | (2,187) | — | — | (2,187) |
| Net loans and advances to customers at 31 December 2021 | 202,864 | 38 | 66 | 202,968 |

10.2 Loans and advances to customers - movement over time

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| Balance at Balance at 1 January 2020 restated | 309,311 | 364 | 214 | 309,889 |
| Transfers to Stage 2 | (52) | 52 | — | — |
| Transfers to Stage 3 | (60) | — | 60 | — |
| Net decrease in loans and advances to customers restated | (67,990) | (376) | (29) | (68,395) |
| Recoveries of prior advances written off | — | — | 2 | 2 |
| Balance at Gross loans and advances at 31 December 2020 restated | 241,209 | 40 | 247 | 241,496 |
| Less: allowances for losses on loans and advances | (3,174) | (2) | — | (3,176) |
| Balance at Net loans and advances to customers at 31 December 2020 restated | 238,035 | 38 | 247 | 238,320 |

Notes to the financial statements (continued)

For the year ended 31 December 2021

11. Property, plant and equipment

| | Freehold land and buildings £'000 | Owned vehicles leased to customers £'000 | Total £'000 |
|---|---|---|------------------|
| Cost | | | |
| At 1 January 2020 restated | 10,917 | 6,463,853 | 6,474,770 |
| Additions restated | — | 1,374,901 | 1,374,901 |
| Disposals restated | — | (1,826,121) | (1,826,121) |
| At 31 December 2020 restated | 10,917 | 6,012,633 | 6,023,550 |
| Additions | — | 1,613,804 | 1,613,804 |
| Disposals | — | (1,579,953) | (1,579,953) |
| At 31 December 2021 | 10,917 | 6,046,484 | 6,057,401 |
| Accumulated depreciation and impairment | | | |
| At 1 January 2020 | 287 | 2,139,001 | 2,139,288 |
| Depreciation charge for the year restated | 313 | 930,891 | 931,204 |
| Disposals restated | — | (995,684) | (995,684) |
| Impairment charge | — | 6,025 | 6,025 |
| At 31 December 2020 restated | 600 | 2,080,233 | 2,080,833 |
| Depreciation charge for the year | 312 | 831,276 | 831,588 |
| Disposals | — | (878,841) | (878,841) |
| Impairment credit | — | (87,171) | (87,171) |
| At 31 December 2021 | 912 | 1,945,497 | 1,946,409 |
| Balance sheet amount at 31 December 2021 | 10,005 | 4,100,987 | 4,110,992 |
| Balance sheet amount at 31 December 2020 restated | 10,317 | 3,932,400 | 3,942,717 |

The comparatives have been restated to reflect the accounting restatement as explained in note 23. Impairment charges are calculated in accordance with the accounting policy described in note 1.8.

At 31 December 2021 the future minimum rentals receivable under non-cancellable operating leases were as follows:

| | 2021 £'000 | Restated 2020 £'000 |
|--------------------------------------|------------------|---------------------------|
| Receivable within one year | 835,619 | 850,444 |
| Receivable between two to five years | 917,027 | 896,775 |
| Receivable later than five years | 151 | 365 |
| | 1,752,797 | 1,747,584 |

12. Intangible assets

| | Software £'000 |
|--|-------------------|
| Cost | |
| At 1 January 2020, 31 December 2020 and 31 December 2021 | 18,464 |
| Amortisation | |
| At 1 January 2020 | 8,006 |
| Charge for the year (see note 3) | 2,652 |
| At 31 December 2020 | 10,658 |
| Charge for the year (see note 3) | 2,623 |
| At 31 December 2021 | 13,281 |
| Balance sheet amount at 31 December 2021 | 5,183 |
| Balance sheet amount at 31 December 2020 | 7,806 |

The Company's Intangible assets relate to Software enhancement costs.

Notes to the financial statements (continued)

For the year ended 31 December 2021

13. Borrowed funds

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Amounts due to group undertakings (see note 19) | 3,617,653 | 3,833,300 |

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Lloyds Bank plc are interest bearing at variable rates, the interest bearing amounts were £3,616,002,000 in 2021 and £3,831,593,000 in 2020 with the interest rates charged during the year varying between 0.85% and 1.39% (2020: 1.41% and 1.63%). All other balances are non-interest bearing.

14. Trade and other payables

| | 2021 £'000 | 2020 £'000 |
|---------------------------------------|---------------|---------------|
| Trade payables | 32,300 | 14,941 |
| Other tax and social security payable | 28,693 | 30,078 |
| Accruals and deferred income | 294,112 | 358,270 |
| | 355,105 | 403,289 |

Accruals and deferred income include £109,803,000 which is due after more than one year (2020: £115,123,000). Accruals and deferred income are amounts held in respect of future maintenance obligations of £57,233,000 (2020: £74,149,000). The accrual will be utilised at the various points at which the underlying vehicles require maintenance services over its useful life.

15. Provision for liabilities and charges

| | Total Other provision £'000 |
|---------------------|-----------------------------------|
| At 1 January 2020 | 31,562 |
| Charge for the year | 22,310 |
| At 31 December 2020 | 53,872 |
| Charge for the year | 267 |
| At 31 December 2021 | 54,139 |

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Other provision

The Company has recognised certain provisions in respect of amounts contractually payable to customers for under-mileage, in respect of its lease agreements. The provision is continually assessed using the most readily available mileage information for live lease agreements and is an estimate of the likely future outflows. The provision is utilised when rebates are made to customers in line with their lease agreements.

Estimates of the timing of the outflows are based on contract term. The average term of contracts added in 2021 was 3 years with a range of terms from 6 months to 7 years. The estimated value of the outflow is less certain and the provision has increased by £22,500,000 pre-pandemic to take into account lower mileage reported in 2020 and 2021. It is not known whether this will continue and for how long.

Notes to the financial statements (continued)

For the year ended 31 December 2021

16. Deferred tax asset

The movement in the Deferred tax asset is as follows:

| | 2021 £'000 | 2020 £'000 |
|----------------------------------|----------------|----------------|
| Brought forward | 200,184 | 166,125 |
| Credit for the year (see note 8) | 23,353 | 34,059 |
| | <u>223,537</u> | <u>200,184</u> |

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

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|---------------|---------------|
| Accelerated capital allowances | 23,353 | 34,059 |
| | <u>23,353</u> | <u>34,059</u> |

Deferred tax asset comprises:

| | 2021 £'000 | 2020 £'000 |
|--------------------------------|----------------|----------------|
| Accelerated capital allowances | 223,537 | 200,184 |
| | <u>223,537</u> | <u>200,184</u> |

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.

17. Dividends

A dividend of £45.11 per share, representing a total of £269,000,000, was proposed during the year ended 31 December 2021 (2020 £nil). This was paid post year end in February 2022. See note 24.

18. Share capital

| | 2021 £'000 | 2020 £'000 |
|--|---------------|---------------|
| Allotted, issued and fully paid | | |
| 5,963,379 ordinary shares of £1 each | 5,963 | 5,963 |

The Company's parent manages the Company's capital structure and makes adjustments as a result of changes in economic conditions and the risk characteristics of the underlying assets.

Notes to the financial statements (continued)

For the year ended 31 December 2021

19. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loan, fee and lease transactions. A summary of the outstanding balances at the year end and the related income and expense for the year is set out below.

| | 2021 | Restated 2020 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Cash and cash equivalents held with group undertakings | | |
| Lloyds Bank plc | 159,751 | 111,363 |
| Total Cash and cash equivalents held with group undertaking | 159,751 | 111,363 |
| Amounts due to group undertakings | | |
| A.C.L Limited | 100 | 100 |
| Lloyds Bank plc | 3,616,002 | 3,831,593 |
| HVF limited | 68 | 68 |
| ACL Autolease (Holdings) Limited | 1,349 | 1,349 |
| Lex Autolease (VC) Limited | 10 | 10 |
| Lex Autolease (CH) Limited | 1 | 1 |
| Bank of Scotland plc | 123 | 179 |
| Total Amounts due to group undertakings (see note 13) | 3,617,653 | 3,833,300 |
| Revenue | | |
| Lloyds bank plc | 10,451 | 12,362 |
| Bank of Scotland plc | 5,755 | 9,163 |
| Lloyds Bank Asset Finance Limited | 126 | 286 |
| Lloyds Bank Commercial Finance Limited | 199 | 376 |
| Capital Bank Limited | 145 | 319 |
| Total revenue with related parties | 16,676 | 22,506 |
| Other operating expenses | | |
| Lloyds Bank plc | 29,569 | 63,642 |
| Total operating expenses with related parties | 29,569 | 63,642 |
| Interest income | | |
| Lloyds Bank plc | 169 | 676 |
| Total Interest income (see note 4) | 169 | 676 |
| Interest expense | | |
| Lloyds Bank plc | 46,427 | 64,334 |
| Total Interest expense (see note 4) | 46,427 | 64,334 |

The comparatives have been restated to reflect the accounting restatement as explained in note 23.

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

The amounts reported in Revenue, reflect the rentals paid to Lex Autolease in respect of leases taken out by Group companies for use in their operational activities. The amounts reported in Other operating expenses relate to central costs recharged by The Group to Lex Autolease in respect of Group central functions, capital expenditure and ancillary costs.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprises the directors of the Company and the Retail Division and the board of Lloyds Banking Group plc. Members of the Lloyds Banking Group plc board are employed by other companies within the Group and consider their services to the Retail Division are incidental to their other responsibilities within the Group. Other than as set out below, there were no transactions between the Company and key management personnel during the current or preceding year. The remuneration of directors is set out in note 7. The aggregate emoluments of the other senior management of the Company that were borne by the Company were as follows:

Notes to the financial statements (continued)

For the year ended 31 December 2021

19. Related party transactions (continued)

Key management personnel emoluments

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Salaries and short term employee benefits | 483 | 836 |
| Post employment benefits | 20 | — |
| | <u>503</u> | <u>836</u> |

20. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and business risk; it is not exposed to any significant foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Division, and the ultimate parent, Lloyds Banking Group plc. The liquidity risk faced by the Company is in substance managed by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. Interest rate risk is monitored and managed closely by the Group's Corporate Treasury Team. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

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

20.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with Loans and advances to customers and Trade and other receivables is managed through the application of strict underwriting criteria, determined by the Retail Division's credit committee and credit functions. Furthermore, the Company has designated credit controllers monitoring customer credit capabilities. Significant credit exposures are measured and reported on a regular basis. Impairment provisions are provided for all losses expected to be incurred at the Balance sheet date, using the basis of assessment discussed in notes 1.4.

Cash and cash equivalents and Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is considered trivial.

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 product area credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Retail policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.
- Credit scoring: In its principal portfolios, the Company uses statistically based decision techniques (primarily credit scoring). Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to Group Risk approval.
- 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 Company and divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

Credit concentration - Trade receivables

The Company provides operating lease arrangements and other funded products to customers geographically located in the United Kingdom. The maximum exposure to Trade and other receivables at the year end is £158,318,000 (2020: £187,126,000). Trade and other receivables of £13,338,000 (2020: £27,042,000) are considered to be in Stage 2 and a further £19,408,000 (2020:£15,395,000) in Stage 3 for impairment and were provided for. The remaining Trade receivables and other receivables were all considered to be in Stage 1.

Notes to the financial statements (continued)

For the year ended 31 December 2021

20. Financial risk management (continued)

20.1 Credit risk (continued)

Credit concentration - Loans and advances to customers

The Company lends to corporate, commercial and personal customers geographically located in the United Kingdom.

Financial assets subject to credit risk

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.

| | 2021 | Restated 2020 |
|---------------------------------|----------------|------------------|
| | £'000 | £'000 |
| Trade and other receivables | 244,543 | 289,117 |
| Loans and advances to customers | 205,155 | 241,496 |
| | 449,698 | 530,613 |

Loans and advances to customers - gross carrying amount

The analysis of lending has been prepared by applying the Group's Corporate Master Scale ("CMS") to the Company's impairment model, for the Company's leasing portfolio. The internal credit ratings systems are set out below. The Group's probabilities of default ("PD"s), that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired which has a CMS rating of 20-23.

| At 31 December 2021 | | Stage 1 | Stage 2 | Stage 3 | Total |
|---------------------|--------------|----------------|-----------|-----------|----------------|
| | PD Range | £'000 | £'000 | £'000 | £'000 |
| Retail | | | | | |
| CMS 1-10 | 0.00-0.50% | 12,495 | — | — | 12,495 |
| CMS 11-14 | 0.51-3.00% | 91,512 | 38 | — | 91,550 |
| CMS 15-18 | 3.01-20.00% | 101,017 | — | — | 101,017 |
| CMS 19 | 20.01-99.99% | 27 | — | — | 27 |
| CMS 20-23 | 100% | — | — | 66 | 66 |
| Total | | 205,051 | 38 | 66 | 205,155 |

| At 31 December 2020 Restated | | Stage 1 | Stage 2 | Stage 3 | Total |
|------------------------------|--------------|----------------|-----------|------------|----------------|
| | PD Range | £'000 | £'000 | £'000 | £'000 |
| Retail | | | | | |
| CMS 1-10 | 0.00-0.50% | 17,937 | — | — | 17,937 |
| CMS 11-14 | 0.51-3.00% | 99,541 | — | — | 99,541 |
| CMS 15-18 | 3.01-20.00% | 123,660 | — | — | 123,660 |
| CMS 19 | 20.01-99.99% | 71 | 40 | — | 111 |
| CMS 20-23 | 100% | — | — | 247 | 247 |
| Total Restated | | 241,209 | 40 | 247 | 241,496 |

Classifications of lending incorporate expected recovery levels, as well as probabilities of default assessed using internal rating models. Lower CMS ratings comprise good quality lending, which includes the lower assessed default probabilities and all loans with low expected losses in the event of default, with other ratings reflect progressively higher risks and lower expected recoveries.

The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1.4. All Loans and advances to customers are assessed for impairment. No amounts due from group undertakings are impaired (2020: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2021

20. Financial risk management (continued)

20.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage

| <u>In respect of drawn balances</u> | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|----------------|
| At 1 January 2021 | 3,174 | 1,727 | 15,395 | 20,296 |
| Transfers to Stage 2 | (1) | 1 | — | — |
| Other items (credited)/charged to Statement of comprehensive income | (986) | (215) | 2,939 | 1,738 |
| (Credit)/charge for the year (including recoveries) | (987) | (214) | 2,939 | 1,738 |
| Advances written off | — | — | (6,773) | (6,773) |
| At 31 December 2021 | 2,187 | 1,513 | 11,561 | 15,261 |

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---------------------------------|------------------|------------------|------------------|----------------|
| Trade receivables | — | 1,513 | 11,561 | 13,074 |
| Loans and advances to customers | 2,187 | — | — | 2,187 |
| At 31 December 2021 | 2,187 | 1,513 | 11,561 | 15,261 |

| <u>In respect of drawn balances</u> | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|----------------|
| At 1 January 2020 | 3,150 | 24 | 7,690 | 10,864 |
| Transfers to Stage 2 | (1) | 1 | — | — |
| Other items charged to Statement of comprehensive income | 25 | 1,702 | 13,184 | 14,911 |
| Charge for the year (including recoveries) | 24 | 1,703 | 13,184 | 14,911 |
| Advances written off | — | — | (5,481) | (5,481) |
| Recoveries of prior advances written off | — | — | 2 | 2 |
| At 31 December 2020 | 3,174 | 1,727 | 15,395 | 20,296 |

| | Stage 1 £'000 | Stage 2 £'000 | Stage 3 £'000 | Total £'000 |
|---------------------------------|------------------|------------------|------------------|----------------|
| Trade receivables | — | 1,725 | 15,395 | 17,120 |
| Loans and advances to customers | 3,174 | 2 | — | 3,176 |
| At 31 December 2020 | 3,174 | 1,727 | 15,395 | 20,296 |

20.2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 December 2021

20. Financial risk management (continued)

20.3 Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of Property, plant and equipment and residual values of finance lease agreements where the Company retains title of the asset differ from actual trends. The Company is exposed to fluctuations in the value of second hand motor vehicles.

The Company's activities expose it to movement in the used values of motor vehicles as the sale proceeds arising from the disposal of returned vehicles are important to the profitability of the Company. Residual values, which are set at lease inception, are determined by reference to the latest available industry data and are subject to regular review by the Company's Pricing Committee, which comprises members of the management team with significant industry experience. Thereafter, residual values are subject to regular review by reference to independent market value data and the prevailing economic conditions (see note 1.4 and note 2).

20.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely due to the Company's funding being charged at a variable rate whilst operating lease rates are fixed. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's interest-bearing Amounts due to group undertakings and takes account of movement in SONIA (Sterling Overnight Index Average), which is the basis for the interest charged on such balances. A 0.25% (2020: 0.15%) increase or decrease is used to assess the possible change in Interest expense, this rate is the primary metric used across the Group.

If SONIA increased by 0.25% and all other variables remain constant this would increase Interest expense by £10,216,000 (2020: £6,391,000 based on 0.15%) and accordingly decrease Interest expense by £10,216,000 (2020: £6,391,000 based on 0.15%) if SONIA decreased by the same amount.

20.5 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors. Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

20.6 Financial strategy

The Company does not trade in financial instruments, nor does it use derivatives.

20.7 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of Loans and advances to customers are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £190,367,000 (2020 restated: £204,323,000).

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.

21. Capital disclosures

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 shareholders 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 advises the board of directors to consider making 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 board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets. 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

21. Capital disclosures (continued)

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

22. Contingent liabilities and capital commitments

At 31 December 2021, the Company had placed orders for motor vehicles, in order to satisfy customer requirements, of £1,033,791,000 (2020: £500,372,000). As detailed in the Directors' report it is the intention of Lloyds Bank plc, to continue to provide support to the Company if required.

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 its interpretation of the UK rules means that the group relief is not available. In 2020, HMRC concluded their enquiry into the matter and issued a closure notice. The Group's interpretation of the UK rules has not changed and hence it has appealed to the First Tier Tax Tribunal, with a hearing expected in 2023. If the final determination of the matter by the judicial process is that HMRC's position is correct, management estimate that this would result in an increase in current tax liabilities for the Company of approximately £124,904,000 (including interest). The Group, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

23. Restatement of comparatives

The comparative information reported has been restated, as summarised in the tables below:

| | Previously reported £'000 | Reclassification of leasing contracts £'000 | Restated £'000 |
|--|------------------------------|---|-------------------|
| Balance Sheet | | | |
| As at 1 January 2020 | | | |
| ASSETS | | | |
| Loans and advances to customers | 243,140 | 63,575 | 306,715 |
| Property, plant and equipment | 4,399,057 | (63,575) | 4,335,482 |
| <hr/> | | | |
| Balance Sheet | | | |
| As at 31 December 2020 | | | |
| ASSETS | | | |
| Loans and advances to customers | 182,407 | 55,913 | 238,320 |
| Property, plant and equipment | 3,998,630 | (55,913) | 3,942,717 |
| <hr/> | | | |
| Statement of comprehensive income | | | |
| For the year ended 31 December 2020 | | | |
| Revenue | 2,336,441 | (70,593) | 2,265,848 |
| Direct costs | (2,032,995) | 70,593 | (1,962,402) |
| <hr/> | | | |

Reclassification of leasing contracts

The Lex Autolease Contract Hire with manufacturer buy back product was previously accounted for as a Contract Hire agreement (Operating lease) in the Annual Report and Accounts of Lex Autolease, however as the residual value is guaranteed by the manufacturer, Lex Autolease does not have the risk and rewards of ownership, and the vehicles should have been accounted for as Finance leases under IFRS16 (lessor accounting). Consequently the 2020 comparatives have been adjusted to correct the associated balances for this change in classification.

The adjustment has been reflected by reclassifying leasing contracts thereby reducing Property, plant and equipment and increasing Loans and advances to customers by £55,913,000 (2019: 63,575,000).

A restatement has also been made to the Statement of comprehensive income given rental revenue and depreciation should not be recognised on these contracts and instead, net interest income is earned at an effective interest rate. This has resulted in a £412,000 reduction to Revenue (£2,927,000 decrease in aggregate rentals receivable from operating leases offset by a £2,515,000 increase in interest receivable from finance lease agreements) and a £412,000 reduction to Direct costs (depreciation on owned vehicles leased to customers).

Notes to the financial statements (continued)

For the year ended 31 December 2021

23. Restatement of comparatives (continued)

The reclassification to leasing contracts has also resulted in a restatement on disposals in 2020 of £70,181,000, reducing Revenue (proceeds from disposal of property, plant and equipment) and decreasing Direct costs (cost of sale of disposal of property, plant and equipment).

Cash flow statement

For the year ended 31 December 2020

| | Previously reported | Reclassification of leasing contracts | Restatement of cashflows | Restated |
|---|---------------------|---------------------------------------|--------------------------|-------------|
| | £'000 | £'000 | £'000 | £'000 |
| Cash flows generated from operating | | | | |
| Adjustments for: | | | | |
| - Depreciation of property, plant and equipment | 937,642 | (413) | — | 937,229 |
| - Net book value of disposal of Property, plant and equipment | 900,618 | (70,181) | — | 830,437 |
| - Purchase of property, plant and equipment | — | — | (1,374,901) | (1,374,901) |
| Change in operating assets and liabilities | | | | |
| Net decrease in Loans and advances to customers | 60,733 | 7,662 | — | 68,395 |
| Cash flows used in investing activities | | | | |
| Purchase of property, plant and equipment | (1,437,833) | 62,932 | 1,374,901 | — |
| Interest received | — | — | 676 | 676 |
| Cash flows used in financing activities | | | | |
| Interest received | 676 | — | (676) | — |

Reclassification of leasing contracts

The Lex Autolease Contract Hire with manufacturer buy back product was previously accounted for as a Contract Hire agreement (Operating lease) in the Annual Report and Accounts of Lex Autolease, however as the residual value is guaranteed by the manufacturer, Lex Autolease does not have the risk and rewards of ownership, and the vehicles should have been accounted for as Finance leases under IFRS16 (lessor accounting). Consequently the 2020 comparatives have been adjusted to correct the associated balances for this change in classification.

A change to the Cash flow statement is required as a result of the difference in accounting treatment of operating leases where by an asset is recognised and depreciated over the lease term, with lease income recognised on the Statement of comprehensive income, and of finance leases which are recognised through a lease receivable on the Balance sheet with finance income recognised on that receivable in the Statement of comprehensive income.

The Cash flow statement has been restated to reflect the above corrections. The following lines have been affected by this restatement; Purchase of property, plant and equipment, Net decrease in loans and advances to customers, Depreciation of property, plant and equipment and Net book value of disposal of property, plant and equipment.

Restatement of cashflows

The Company has carried out an exercise to re-present certain cashflows relating to the purchase of Property, plant and equipment and Interest received on the face of the Cash flow statement to align with the requirements of IAS 7.14. The purchase of Property, plant and equipment is now shown in operating activities (previously Cashflows used in investing activities) to more closely align with the trading activities of the Company.

Interest received is now shown within cashflows used in investing activities, previously cashflows used in financing activities, as this balance relates to interest received on deposits.

Notes to the financial statements (continued)

For the year ended 31 December 2021

23. Restatement of comparatives (continued)

| | Previously reported | Restatement of related party transactions | Restated |
|--|---------------------|---|---------------|
| | £'000 | £'000 | £'000 |
| Related party transactions | | | |
| For the year ended 31 December 2020 | | | |
| Revenue | | | |
| Lloyds bank plc | — | 12,362 | 12,362 |
| Bank of Scotland plc | — | 9,163 | 9,163 |
| Lloyds Bank Asset Finance Limited | — | 286 | 286 |
| Lloyds Bank Commercial Finance Limited | — | 376 | 376 |
| Capital Bank Limited | — | 319 | 319 |
| Total revenue with related parties | — | 22,506 | 22,506 |
| Other operating expenses | | | |
| Lloyds Bank plc | — | 63,642 | 63,642 |
| Total operating expenses with related parties | — | 63,642 | 63,642 |

Restatement of related party transactions

The Company has carried out an exercise to restate the related party balances due to an omission in prior periods, within Revenue and Other operating expenses within the Related party transactions note. The amounts reported in Revenue, reflect the rentals paid to Lex Autolease in respect of leases taken out by Group companies for use in their operational activities. The amounts reported in Other operating expenses relate to central costs recharged by the Group to Lex Autolease in respect of Group Central Functions, capital expenditure and ancillary costs.

24. Post balance sheet events

Dividend

A dividend of £269,000,000 (2020: £nil) was proposed during the year and paid post year end in February 2022.

25. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2021 and has not been applied in preparing these financial statements.

| Pronouncement | Nature of change | Effective date |
|--|--|---|
| Minor amendments to other accounting standards | The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). | Annual periods beginning on or after 1 January 2022 |

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

26. Ultimate parent undertaking and controlling party

The immediate parent company is ACL Autolease (Holdings) Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated 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 undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via <https://www.lloydsbankinggroup.com/investors/financial-downloads.html>.

Independent Auditors' report to the member of Lex Autolease Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lex Autolease Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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;
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditors' report to the member of Lex Autolease Limited (continued)

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.

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 their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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, for example, the Companies Act 2006; 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, for example, FCA regulation.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and credit specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The risk that the electric vehicle overlay applied by management to reflect the uncertainty in used electric vehicle residual values within impairment calculations might not be appropriate and/or not reliably measured. Our work included:
 - Using independent market data to determine an expectation of the premium in used car values for electric vehicles over traditional internal combustion vehicles; and
 - Considering market analysis, determine an independent range of potential outcomes for the exposure if electric vehicle and traditional vehicle used car prices converge over time.
- The risk that the volatility overlay applied by management to reflect risk in the used car residual values in determining provisions for residual value or voluntary termination losses might not be appropriate and/or reliably measured. Our work included:
 - Making inquiries of management to understand the composition and rationale for the overlays applied. Validating the data points used against sufficient and appropriate audit evidence;
 - Perform external market analysis to identify third party data and compare against those used by management to assess whether there is indication of bias or error; and
 - Perform a retrospective analysis of used vehicle market fluctuations to assess the likelihood of the scenarios applied and develop an independent range of possible outcomes.

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 in-house / external 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, reviewing internal audit reports and correspondence with the FCA.

Independent Auditors' report to the member of Lex Autolease 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

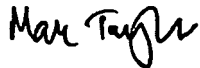
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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.



Mark Taylor, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

15 August 2022