Classification: Confidential

Registered number: 11630009

Elland RMBS 2018 PLC

Annual report and financial statements for the year ended 31 December 2020

DIRECTORS AND COMPANY INFORMATION

Directors

Susan Iris Abrahams
Intertrust Directors 1 Limited
Intertrust Directors 2 Limited

Company Secretary

Intertrust Corporate Services Limited

Registered Office

1 Bartholemew Lane
London
EC2N 2AX

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0RF

Strategic report

For the year ended 31 December 2020

The directors present their Strategic report for Elland RMBS 2018 Plc (the "Company") for the year ended 31 December 2020.

Incorporation

The Company, a public limited company was incorporated as a special purpose vehicle on 18 October 2018 in the United Kingdom and is registered and domiciled in England under the Companies Act 2006.

Principal activities

The principal activity of the Company is to issue asset backed floating rate notes denominated in sterling, with a porfolio call option date of 12 December 2025 and a final maturity date of December 2063 (together the "Notes"), use the proceeds from the issuance to acquire an interest in a portfolio of residential mortgage loans and acquire further residential mortgage loans until 12 January 2022 from Bank of Scotland plc ("BOS","Originator" and "Servicer") and to enter into financial arrangements in that connection. The Notes are listed on the London Stock Exchange. No future changes in activity are envisaged.

The activities of the Company are conducted primarily by reference to a series of securitisation transaction documents (the "Programme Documentation"). The securitisation structure has been established as a means of raising finance for BOS, and subsequently Lloyds Banking Group plc ("LBG"), the ultimate controlling party under International Financial Reporting Standards ("IFRSs"). the ultimate controlling party. The Programme Documentation sets out the principal risks to the note holders. As such, these have not been reproduced in full in the financial statements.

Under International Financial Accounting Standard ("IFRS") 9 , if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans on its Balance sheet but rather a Deemed loan to the Originator ("Deemed loan"). The initial amount of the Deemed loan corresponds to the consideration paid by the Company for the mortgage loans less any other subordinated loan granted by BOS.

The Company is a wholly owned subsidiary of Elland RMBS Holdings Limited, a company registered in England and incorporated in the United Kingdom under the Companies Act 2006. Elland RMBS Holdings Limited holds the Company's entire issued share capital of 50,000 ordinary shares of £1 each (49,999 shares are quarter paid and 1 is fully paid). The shares of Elland RMBS Holdings Limited are held on a discretionary trust basis by Intertrust Corporate Services Limited ("Intertrust CS").

Business review and future developments

Profits on a cash flow basis are pre-determined under the Programme Documentation. The Company has the right to a profit before tax of £100 on each interest payment date from the available revenue receipts.

The results for the year are set out on page 8. The profit for the financial year amounted to £1,000 (2019: £1,000). Total equity at 31 December 2020 was £15,000 (2019: £14,000)

Principal receipts received on the pool of mortgage loans can only be used to purchase further mortgage loans from the Originator, until 12 January 2022, these mortgage loans are retained in the structure . As such no principal payments are expected to be made on the Notes during the year. After 12 January 2022 the principal receipts will be used to repay note principal.

The directors' assessment suggests that performance of the mortgage portfolio should continue to be satisfactory. Whilst consensus suggests that interest rates will continue to remain low, as will unemployment rates, inflationary pressures and higher prices caused by sterling weakness may put further pressure on household incomes, which may feed through further increases in mortgage arrears. The situation will be monitored and the Servicer, on behalf of the Company, will continue to adopt appropriate forbearance measures.

The effects on the UK, European and global economies following the UK's exit from the EU and the impact of the EU-UK Trade and Cooperation Agreement signed on 30 December 2020 (the "EU-UK TCA") remain difficult to predict but may include economic and financial instability, constitutional instability in the UK and other types of risks that could adversely impact the business of LBG and its subsidiaries, which includes the Company, together with its results of operations, its financial condition and future prospects. In the event of any further substantial weakening in the UK's economic growth, the possibility of decreases in interest rates by the Bank of England or sustained low or negative interest rates would put further pressure on LBG's interest margins and potentially adversely affect its profitability and prospects. However, it is considered that the impact to the Company and its core activities will be negligible in this regard.

The global pandemic from the outbreak of COVID-19 continues to cause widespread disruption to normal patterns of business activity across the world, including in the UK, and volatility in financial markets. Measures taken to contain the health impact of the COVID-19 pandemic have resulted in an adverse impact on economic activity across the world and the duration of these measures remains uncertain. Monetary policy loosening has supported asset valuations across many financial markets, but longer-term impacts on inflation, interest rates, credit spreads, foreign exchange rates and commodity, equity and bond prices remain unclear.

Synchronisation of emergency measures to slow the spread of COVID-19 across the world has brought about rapid deterioration in economic growth across all countries and regions, directly adversely impacting the UK through many channels, including trade and capital flows. The UK experienced a deep contraction in economic activity during 2020 as a result of the COVID-19 pandemic, and both private and public sector debt have risen significantly. If the economic downturn damage were to be prolonged significantly by inability to control COVID-19 spread through vaccines, public finances would likely continue to deteriorate and could result in a sovereign downgrade that could also impact the credit ratings of the Lloyds Banking Group. Rating downgrades could have a material adverse impact on LBG's ability to raise funding in the wholesale markets.

Further, the economic impact of the COVID-19 pandemic, including increased levels of unemployment, corporate insolvencies and business failures could adversely impact the Company's retail and corporate customers and their ability to service their contractual obligations, including to the Company. Adverse changes in the credit quality of Company's borrowers and counterparties or collateral held in support of exposures, or in their behaviour, may reduce the value of the Company's assets and materially increase its write-downs and allowances for impairment losses. This could have a material adverse effect on the Company's results of operations, financial condition or prospects.

In addition to providing support under government support schemes, LBG has taken specific measures to alleviate the impact on the Company's customers or borrowers, including payment holidays which, taken together with lower interest rates and restrictions on fees associated with certain products, may have an adverse impact on the Company's results of operations, financial conditions or prospects.

Strategic report (continued)
For the year ended 31 December 2020

Business review and future developments (continued)

As a result of the COVID-19 pandemic, the potential for conduct and compliance risks as well as operational risks materialising has increased, notably in the areas of cyber, fraud, people, technology, operational resilience and where there is reliance on third-party suppliers. In addition to the key operational risks, new risks are likely to arise as LBG may need to change its ways of working whilst managing any instances of COVID-19 among its employees and locations to ensure continuity and support to colleagues and customers.

Key performance indicators (KPIs)

A defined set of KPIs for the securitisation transaction are set out in the Programme Documentation.

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

In order to assist the mitigation of key risks, there is a monthly meeting with programme managers. This meeting analyses and discusses the KPIs for the month and identifies any issues or required changes. Any such issues are then reported, further discussed and collectively agreed in accordance with the Programme Documentation that governs the transaction.

The KPIs include monitoring the excess spread on the mortgage loan portfolio as the first line of credit enhancement to the Notes and the losses that have occurred and the level of arrears in the underlying mortgages, the rate of repayment of the loans within the programme and an analysis of the characteristics of the underlying mortgages.

At the time of issue the class A Notes (the "Rated Notes") were assigned a credit rating which reflects the likelihood of full and timely payment to the noteholders of interest on each interest payment date and the payment of principal on the final maturity date. A rating may be subject to revision, suspension or withdrawal at any time by the rating agencies if the Company's circumstances change.

Any change in the credit rating assigned to a Note would be used as an indicator as to the performance of the Company. No downgrade in credit ratings has been applied to the Company's Notes in the year under review and subsequently up to the date of approval of these financial statements.

The Company was not required to make any principal payments on the Notes for the year ended 31 December 2020.(2019: None).

Risk management

The majority of the Company's assets and liabilities have been classified as financial instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Company's financial instruments comprise the Deemed loan, Notes issued, various other receivables and payables and cash and liquid resources.

In terms of arrears management, the Company has engaged BOS as Servicer of the loans in the portfolio to help reduce the risk of loss. The Servicer is required to monitor repayments on the mortgage loans in accordance with its usual credit policies. The Servicer is also responsible for ensuring mortgage loans meet the eligibility criteria set out in the Programme Documentation.

Credit risk

Credit risk arises on the individual loans within the mortgage loan portfolio which are in turn secured on the underlying UK residential properties. The performance of these loans is therefore influenced by the economic background and the UK housing market.

To mitigate this risk a general reserve balance is maintained subject to available cash to ensure the Company can meet its interest obligations on the rated Notes. The general reserve balance was created from the proceeds of the subordinated loan and if required can be topped up monthly. The requirement to use the reserve balance would only arise in the event that there was no longer sufficient excess spread available which is currently due to the Originator in the form of deferred consideration. Excess spread arises on the remaining income from the Deemed loan after all interest is paid on the Notes and third party expenses have been settled.

Liquidity risk

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on the amount and timing of the interest and principal repayments on the mortgage loans which underlie the loan to the Originator.

In the event that sufficient funds are not available to redeem the Notes or make the interest payments due, the general reserve funds can be used to pay the A rated notes, any other lower priority payments will be deferred until such funds are received. To the extent that the income on the Deemed loan does not provide sufficient funds to recover the Company's investment in the mortgage portfolio, the Company has no claim on the assets of BOS. The Note holder therefore bears this risk.

An optional redemption in full is available to the Company should it wish to repay any of the Notes earlier than the expected maturity date. The portfolio call option date is on the interest payment date in December 2025 and the Notes may be called on or after the call date. Noteholders must be informed by giving not more than 20 nor less than 10 days' notice. There have been no redemptions in 2020.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company minimises its exposure to interest rate risk by ensuring that the interest rate characteristics of the assets and liabilities are similar; where this is not possible the Company uses derivative financial instruments to mitigate any residual interest rate risk.

As part of the financing arrangement the Company acquires a beneficial interest in mortgage loans and enters into an interest rate swap with BOS under which it exchanges the fixed rate income received on the mortgages for a Sterling Overnight Interbank Average Rate ("SONIA") based interest flow in order to settle interest due on the Notes.

Operational risks

The Company is also exposed to operational risks through a number of contracts with third parties who have agreed to provide operational support to the Company in accordance with the Programme Documentation. Intertrust Management Limited ("Intertrust Management") has been appointed to provide corporate adminstration services in accordance with a corporate services agreement. Other third parties who have agreed to provide services with respect to the Notes include the paying agents, issuing entity swap providers and the agent bank. BOS has been appointed to act as account bank and cash manager on behalf of the Company.

Strategic report (continued)
For the year ended 31 December 2020

Business risks

The principal business risks of the Company are set out in a number of ratings and non-ratings trigger events in the Programme Documentation including some which relate to the underlying performance of the mortgage pool. The occurrence of trigger events may lead to a different priority of payments of the Notes in accordance with established priorities. There have been no such trigger events since inception of the Programme.

Streamlined energy and carbon reporting ("SECR")

The Company is out of scope of the SECR, as it does not meet the numerical thresholds in relation to turnover and number of employees.

Section 172(1) of the Companies Act 2006

The Company is a special purpose vehicle and as such performs a very limited range of activities. As a special purpose vehicle, the governance structure of the Company is such that the key policies have been predetermined at the time of its incorporation. The directors have had regards to the matters set out in section 172(1) of the Companies Act 2006 as follows:

- the documents governing the financing and other principal transactions to which the Company is party have been formulated with the aim of achieving the Company's purpose and business objectives, safeguarding the assets of the Company and promoting the success of the Company;

- in accordance with relevant securitisation legislation the Company is only permitted to retain minimal profit;

- the Company has no employees;

- the Company has appointed various third parties to perform certain roles strictly governed by the Programme Documentation, fee arrangements agreed in advance and invoices paid strictly in accordance with the programme documentation (including a specified priority of payments);

- as a special purpose vehicle, the Company has no physical presence or operations and accordingly has minimal impact on the community and the environment; and

- the Company has a sole member with the issued shares all held on a discretionary trust basis for charitable purposes.

Further, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the directors also confirm that they have both engaged with and had regard to the interest of key stakeholders, in their duties as directors of the Company.

As approved by the board of directors and signed on its behalf by:

Helena Whitaker
Per pro Intertrust Corporate Services Limited
As Company Secretary

Registered office
1 Bartholemew Lane
London
EC2N 2AX

26 April 2021

Directors' report

For the year ended 31 December 2020

The directors present their annual report and the audited financial statements for Elland RMBS 2018 plc for the year ended 31 December 2020.

Directors and directors' interests

The directors of the Company during the year, and up to the date of signing the financial statements, were:

Intertrust Directors 1 Limited
Intertrust Directors 2 Limited
Susan Iris Abrahams

The directors are also all directors of Elland RMBS Holdings Limited. None of the directors has any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest in any material contract or arrangement with the Company either during or at the end of the year.

Company secretary

The company secretary during the year, and subsequently, was Intertrust Corporate Services Limited.

Directors' indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year and remain in force as at the date of approval of the annual report and financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 the financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;
• state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
• make judgements and accounting estimates that are reasonable and prudent; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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.

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.

Disclosure of information to auditors

In accordance with Section 418(2) of the Companies Act 2006, in the case of each director in office at the date the report is approved:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and

- The directors 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.

This report has been prepared in accordance with section 414 of the Companies Act 2006

Future developments

The portfolio of mortgage loans continues to unwind over their estimated useful life and the funds that accumulate on a daily basis, principal receipts only, can be used to replenish the portfolio until 12 January 2022. Thereafter, these funds will be used to pay down a proportion of the Notes in issue on a monthly basis from available funds in accordance with the Programme Documentation.

No future deals are envisaged in the Company.

The directors' assessment suggests that performance of the mortgage loan portfolio should continue to be satisfactory. Whilst consensus suggests that interest rates will continue to remain low, as will unemployment rates, inflationary pressures and higher prices caused by sterling weakness may put further pressure on household incomes, which may feed through to further increases in loan arrears. The situation will be monitored and the Servicer, on behalf of the Company, will continue to adopt appropriate forbearance measures.

Further information on future developments is included in the Business review and future developments section of the strategic report.

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2020. (2019: nil)

Directors' report (continued)
For the year ended 31 December 2020

Corporate governance

The Directors have been charged with governance in accordance with the Programme Documentation describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the Programme Documentation.

The Programme Documentation provides for procedures that have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the requirements of the Financial Conduct Authority pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 Audit Committees and 7.2 Corporate Governance statements (save for the rule DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

From the perspective of the Company, the daily operational internal controls and risk management systems are integrated with those of LBG, the Company's ultimate controlling party. Therefore additional information may be found in section 'Internal Control' of the 2020 Annual Report of LBG, which does not form part of this report. Details of where to get access to the 2020 Annual Report of LBG can be found in note 14.

Financial risk management

Further details on the risks facing the Company and how these risks are managed are outlined in the Strategic report and further disclosed in note 10.

Employees

The Company had employed no staff during the year ended 31 December 2020 or the previous year. None of the directors received any emoluments from the Company in the current or previous year. (2019: none)

Independent auditors

The auditors PricewaterhouseCoopers LLP will not seek re-appointment at the forthcoming Annual General Meeting, as following the completion of a tender process, Deloitte LLP are to be appointed as auditors of the Company to audit the Financial Statements for the year ending 31 December 2021.

Directors' report (continued)

For the year ended 31 December 2020

Statement of going concern

The Company has continued to perform in line with the Programme Documentation.There are certain rating and non-rating triggers included in the Programme Documentation as referred to in the annual report and accounts in KPIs (Strategic report) and exampled in the note on Management of risk (note 10). In the course of their regular monitoring of these KPIs and review of risk, the directors are confident that these triggers remain un-breached and will remain so for the foreseeable future, despite the current adverse environment.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. As at 31 December 2020, the Company is showing a net assets position in the financial statments, however also is supported by the general reserve balance noted above.

As approved by the board of directors and signed on its behalf by:

Helena Whitaker
Per pro Intertrust Corporate Services Limited
As Company Secretary

Registered Office
1 Bartholemew Lane
London
EC2N 2AX

26 April 2021

Statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Interest receivable and similar income	2	90,309	135,919
Interest payable and similar charges	3	(90,222)	(134,947)
Net interest income		87	972
Operating expenses	4	(86)	(971)
Profit before tax		1	1
Taxation	5	-	-
Profit and total comprehensive income for the year		1	1

The profit shown above is derived from continuing operations. The Company operates in a single business segment and all of the Company's activities are in the UK.

The accompanying notes on pages 12 to 21 are an integral part of the financial statements.

Balance sheet
As at 31 December 2020

	Note	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Assets			
Deemed loan to the Originator	6	7,402,259	7,354,244
Cash and cash equivalents		201,666	252,843
Total assets		7,603,925	7,607,087
Liabilities			
Debt securities in Issue	7	7,603,874	7,607,055
Trade and other payables	8	36	18
Total liabilities		7,603,910	7,607,073
Equity			
Share capital	9	13	13
Retained earnings		2	1
Total equity		15	14
Total equity and liabilities		7,603,925	7,607,087

The financial statements on pages 8 to 21 were approved by the board of directors on 26 April 2021 and were signed on its behalf by:

Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director

The accompanying notes on pages 12 to 21 are an integral part of the financial statements

Statement of changes in equity

For the year ended 31 December 2020

	Share capital £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2020	13	1	14
Profit and total comprehensive income	-	1	1
As at 31 December 2020	13	2	15
Balance at incorporation	-	-	-
Share capital issued	13	-	13
Profit and total comprehensive income	-	1	1
As at 31 December 2019	13	1	14

The accompanying notes on pages 12 to 21 are an integral part of the financial statements.

Cash flow statement

For the year ended 31 December 2020

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Operating activities		
Administration expenses paid	(68)	(953)
Net cash used in operating activities	(68)	(953)
Investing activities		
Investment in Deemed loan to the Originator	41,950	(7,219,472)
Bank interest received	344	1,147
Net cash generated from /(used in) investing activites	42,294	(7,218,325)
Financing activities		
Issue of Debt securities in issue	-	7,600,000
Interest on Debt securities in issue	(93,403)	(127,892)
Proceeds of issue of share capital	-	13
Net cash (used in) / generated from financing activities	(93,403)	7,472,121
Net (decrease) / increase in cash and cash equivalents	(51,177)	252,843
Change in Cash and cash equivalents	(51,177)	252,843
Cash and cash equivalents at start of year/ period	252,843	-
Cash and cash equivalents at 31 December	201,666	252,843
Interest income on deemed loan	93,145	127,717

Financing activites split for 2019 has been corrected between issuance and interest

The Cash flow statement is presented using the direct method.

The accompanying notes on pages 12 to 21 are an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 December 2020

1. Significant accounting policies

Elland RMBS 2018 Plc is a public limited liability company (limited by shares) incorporated and registered in England under the Companies Act 2006 and domiciled in England and Wales. The Company's registered office address is 1 Bartholomew Lane, London EC2N 2AX.

(a) Basis of preparation

The financial statements for the year ended 31 December 2020 have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The standards applied by the Company are effective at the date the financial statements are approved by the board. All accounting policies have been consistently applied in the financial statements.

There are no accounting pronouncements that will be relevant to the Company, but which were not effective at 31 December 2020.

The financial statements have been prepared using the going concern basis. The directors have reviewed the expected future cash flows and believe they are adequate to meet the anticipated payments due in accordance with the Programme Documentation. The directors believe that the Company has additional safeguards in place to cover any unexpected issues which may arise including access to a general cash reserve and the ability to defer payment in certain circumstances.

The financial statements are presented in sterling which is the Company's functional and presentation currency and have been prepared on the historical cost basis.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006 as applicable to companies using IFRSs.

(b) Interest income and interest payable

Interest receivable and similar income and interest payable and similar charges have been calculated 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 expected life of the financial instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter year, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the instrument.

(c) Accrued interest

Accrued interest has been incorporated within the Deemed loan and within the outstanding balance of Debt securities in issue on the Balance sheet. A split between principal and accrued interest can be found in note 6 and note 7 respectively.

(d) Taxation

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.

The Company's taxable profits are charged under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) as amended by The Taxation of Securitisation Companies (Amendment) Regulations 2018 (SI 2018/143).

(e) Financial instruments

The Company's financial instruments comprise the Deemed loan, Notes issued, other receivables and payables and cash and liquid resources. These financial instruments are classified in accordance with the principles of IFRS 9 as described below.

(e)(i) Deemed loan to the Originator

Under IFRS 9, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that BOS has retained substantially all the risks and rewards of the pool of mortgage loans and as a consequence, the Company does not recognise the mortgage loans on its Balance sheet but rather a deemed loan to Originator, where recourse to BOS is limited to the cash flows from the mortgage loans and any additional credit enhancement provided by BOS.

The initial amount of the Deemed loan corresponds to the consideration paid by the Company for the mortgage loans less the subordinated loan granted by BOS. The Company recognises principal and interest cash flows from the underlying pool of mortgage loans only to the extent that it is entitled to retain such cash flows. Cash flows attributable to BOS are not recognised by the Company.

In accordance with IFRS 9, the Deemed loan is treated as a financial asset and is stated at amortised cost.

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Significant accounting policies (continued)

(e)(ii) Derivative financial instruments

Interest rate risk associated with the Deemed loan is managed by means of an interest rate swap with BOS, which requires the Company to pay the effective yield on the beneficial interest in the mortgage portfolio and receive payments based on a rate linked to SONIA.

This swap is not recognised separately as a financial instrument as the amounts payable under the swap reflect interest flows from the mortgage loans which are not recognised by the Company for accounting purposes. Instead, the Deemed loan is recognised with an effective interest rate which reflects the amount received or paid under the swap.

(e)(iii) Cash and cash equivalents

The Company holds a guaranteed investment contract bank account ("GIC") and a transaction bank account with the same provider. For the purposes of the Cash flow statement, Cash and cash equivalents comprise cash and amounts due from banks with a maturity of less than three months. As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash. These bank accounts are classified as a financial asset in accordance with IFRS 9 and income is being recorded using the effective interest method.

(e)(iv) Impairment of Deemed loan to the Originator

At initial recognition, an impairment allowance is required for expected credit losses ("ECL") resulting from default events expected within the next 12 months ("12-month ECL").

At each balance sheet date an assessment is made as to whether, as a result of one or more events occurring after initial recognition, there is objective evidence that the Deemed loan has had a significant increase in credit risk.

In the event of a significant increase in credit risk, allowance is required for ECL resulting from default events expected over the estimated life of the financial instrument ("lifetime ECL"). IFRS 9 requires the financial asset to be allocated to one of three 'stages' as follows:

· Stage 1 - Financial assets which have not experienced a significant increase in credit risk since they were originated. Recognition of a 12-month ECL is required. Interest income on stage 1 financial assets is calculated on the gross carrying amount of the financial asset;

· Stage 2 – Financial assets which have experienced a significant increase in credit risk. For financial assets in stage 2, recognition of a lifetime ECL impairment allowance is required. Interest income on stage 2 financial assets is calculated on the gross carrying amount of the financial asset; and

· Stage 3 - Financial assets which have experienced one of more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Like stage 2, recognition of a lifetime expected ECL impairment allowance is required. However, interest income on stage 3 loans is calculated on the financial asset balance net of the impairment allowance.

In assessing the Deemed loan for impairment, the directors consider both impairments on the underlying mortgage assets and the overcollateralisation required in the transaction which provides credit enhancement in excess of the ECL of the underlying mortgage assets.

Taking into account these factors, the directors conclude that there is no significant increase in credit risk of the Deemed loan since inception and therefore record it as stage 1.

(e)(v) Debt securities in issue

Debt securities in issue are recognised initially at fair value. Subsequent to initial recognition, debt securities in issue are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of comprehensive income over the year of the borrowings on an effective interest basis.

(f) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The directors of the Company consider that the entity has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

(g) Critical accounting estimates and judgements

The preparation of the financial statements necessarily requires the exercise of judgement both in the application of accounting policies and in the selection of assumptions used in the calculation of accounting estimates. These judgements are reviewed on an ongoing basis and are continually evaluated based on historical experience and other factors. The most significantly affected components of the financial statements and associated critical judgements are as follows:

Notes to the financial statements (continued)

For the year ended 31 December 2020

1. Significant accounting policies (continued)

(g) Critical accounting estimates and judgements (continued)

(g)(i) Critical accounting judgements

Effective interest rate method

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

For the purpose of the effective yield calculation, it has been assumed that the Notes will be called on the portfolio call date of 12 December 2025 and hence the expected life of the Notes issued by the Company will end seven years after their original issue. This may not be the case in practice.

Impairment of deemed loan

The impairment of the deemed loan to the Originator is classified as an accounting judgement. Under IFRS 9 the Company's accounting policy for losses arising on the Deemed loan, classified as loans and receivables, is described in note 1(e)(i).

In assessing the Deemed loan for impairment, the directors consider both impairments on the underlying mortgage assets and the overcollateralisation required in the transaction which provides credit enhancement in excess of the ECL of the underlying mortgage assets.

Taking into account these factors, the directors conclude that there is no significant increase in credit risk of the Deemed loan since inception and therefore record it as Stage 1 as defined in Note (e)(iv)

(h) Dividends

The directors do not propose a dividend payment in respect of the current or previous years.

(i) Capital management

The Company is not subject to externally imposed capital requirements in the current year. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

2. Interest receivable and similar income

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Interest receivable on Deemed loan to the Originator	89,965	134,772
Bank interest	344	1,147
	90,309	135,919

3. Interest payable and similar charges

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Interest payable on Debt securities in issue	90,222	134,947

Notes to the financial statements (continued)

For the year ended 31 December 2020

4. Operating expenses

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Audit fees	18	18
Administration charges	68	953
	86	971

Audit fees relate to the statutory audit. Fees of £18,000 net of VAT (2019: £18,000) are payable to PricewaterhouseCoopers LLP for their work performed in the year on behalf of the Company. There are no fees payable to the auditors and their associates for services other than the statutory audit. (2019: none)

The Company has no employees (2019: nil) and none of the directors received any emoluments from the Company in the current year or previous period.

5. Taxation

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Current tax		
Corporation tax charge for the year at a rate of 19.00% (2019: 19.00%)	-	-
Total tax charge	-	-

	2020 £'000	For the period from incorporation to 31 December 2019 £'000
Reconciliation of effective tax rate		
The tax assessed for the year is equal to the standard average rate of corporation tax in the UK of 19.00%. (2019: 19.00%)		
Profit before tax	1	1
Profit before tax multiplied by the standard average rate of corporation tax in the UK of 19.00%. (2019: 19.00%)	-	-
Total tax charge in the Statement of comprehensive income	-	-

The company's taxable profits are calculated under the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) as amended by The Taxation of Securitisation Companies (Amendment) Regulations 2018 (SI 2018/143) and disclosed in accordance with IAS 12 "Income Taxes". Tax is assessed on the cash retained as profit in the company.

6. Deemed loan to the Originator

	2020 £'000	2019 £'000
Non current		
Principal	7,398,385	7,347,189
Current		
Interest receivable	3,874	7,055
Total	7,402,259	7,354,244

The mortgage portfolio, which is accounted for as a deemed loan to the Originator and in which the Company holds a beneficial interest, is held by BOS. The mortgage loans are secured on residential property in England, Wales and Scotland. Mortgages in the pool have to adhere to certain representations and warrants which are listed in the programme documentation, if they fail to do so they are removed from the pool.

The Deemed loan is expected to be repaid on the final maturity date of the Notes in December 2063 and is therefore deemed to be non-current.

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Debt securities in Issue

	2020 £'000	2019 £'000
Non current		
Principal (GBP - priced against SONIA)	7,600,000	7,600,000
Current		
Interest payable	3,874	7,055
Total	7,603,874	7,607,055

Debt securities in issue at 31 December 2020 comprise the floating rate Notes issued by the Company in connection with the securitisation of mortgages originated by BOS. The Company is only required to make payments on the debt securities in issue to the extent that it has received sufficient cash flows from the underlying mortgage pool, subject to the final legal maturity date of December 2063. For more information about the Company's exposure to risk, see note 10. No principal balances are expected to be repaid within 12 months (this may not be the case in practice).

There have been no defaults in the payment of principal and interest or other breaches with respect to liabilities in the year.

8. Trade and other payables

	2020 £'000	2019 £'000
Audit fee accrual	36	18

9. Share capital

	2020 £	2019 £
Issued, allotted, called up and paid		
1 (2019:1) ordinary shares of £1 each (fully paid)	1	1
49,999 (2019: 49,999) ordinary shares of £1 each(one quarter paid)	12,500	12,500
	12,501	12,501

On incorporation on 18 October 2018, share capital of 50,000 ordinary shares of £1 each was issued, one of which is fully paid and 49,999 are quarter paid.

10. Management of risk

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. However, considerable resource is given to maintaining effective controls to manage, measure and mitigate each of these risks and therefore there is minimal sensitivity to risk. Further detailed analysis of the risks facing the Company in relation to its financial instruments is provided below.

The directors do not consider that the Company is exposed to capital management risk as adequate solvency and capital levels are maintained.

The Company's exposure to risk on its financial instruments and the management of such risk is largely determined at the inception of the securitisation transaction. The Company's activities and the role of each party to the transaction are clearly defined and documented. Cash flow modelling, including multiple stress scenarios, is carried out as part of the structuring of the transaction, and as such is required by the rating agencies. In addition an interest rate swap is entered into with the Originator as part of the securitisation transaction to hedge interest rate risk arising in the transaction including the obligations under the Notes.

The derivative counterparty is selected as a highly rated, regulated financial institution and this reduces the risk of default and loss for the Company. Should their rating fall below the required rating, the posting of collateral may be required or the counterparty may be replaced.

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

The ability of the Company to meet its obligations to make principal and interest payments on the Notes and to meet its operating and administrative expenses is dependent on funds being received on the deemed loan. The primary credit risk of the Company therefore relates to the credit risk associated with the securitised pool of mortgages originated by BOS.

The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and may vary according to characteristics and product type. Significant changes in the economy, or in the performance of a particular geographical region that represents a concentration in the securitised assets, could also affect the cash flows from the mortgage pool.

To mitigate this risk, credit enhancement is provided to the Company in the form of excess spread and a reserve fund. The income on the mortgage pool is expected to exceed the Company's expenses and the interest payable on the Notes. This excess income (excess spread) is available to make good any reduction in the principal balance of the mortgage pool which may arise as a result of defaults by customers.

For December 2020, the post interest rate swap yield was 1.34% (2019: 1.27%).

In addition, BOS provided a subordinated loan to the Company to create a £98m reserve fund which can be used in certain circumstances to meet any deficit in revenue or to repay amounts of principal. Therefore, delinquencies and defaults on the underlying securitised assets will not result in a default on the Notes as long as they do not exceed the credit enhancement provided by the excess spread and reserve fund.

Notes to the financial statements (continued)

For the year ended 31 December 2020

10. Management of risk (continued)

10(a). Credit risk

The Company's losses in the mortgage pool covered by excess spread in the year to 31 December 2020, were £52,600 (2019: nil). There have been no principal drawings on the reserve fund which is fully funded and at 31 December 2020 was £98,040,000 (2019: £98,040,000)

The Company has a concentration of risk to the Originator. The underlying mortgage assets of the securitisation are all in the UK market. The nature of the residential mortgage portfolio means there is no significant individual counterparty credit risk in relation to the underlying mortgage pool.

Any specific mortgage losses will be netted against the mortgage interest, with a corresponding adjustment to deferred consideration. Therefore, there is no effect on the overall yield on the deemed loan. The directors consider that the pool of mortgage loans will be sufficient to recover the full amount of the deemed loan.

The Company assesses its counterparties for credit risk before contracting with them. Credit rating is the main method used to measure credit risk. In accordance with the criteria of the rating agencies that rate the Notes, the Programme Documentation contains various rating triggers linked to each counterparty, which require certain actions to be taken if triggers are breached, including the posting of collateral or the replacement of a swap counterparty.

	Counterparty	Rating as at date 31 December 2020	Rating as at date of approval of financial statements
		Moody's / Fitch	**Moody's / Fitch**
Account bank	BOS	Long term: A1 / A+ Short term: P-1 / F1	Long term: A1 / A+ Short term: P-1 / F1
Interest rate swap provider	BOS	Long term: Aa3 / A+ Short term: P-1/F1	Long term: Aa3 / A+ Short term: P-1 / F1

Cash is considered to be a low credit risk.

Financial assets subject to credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date equates to carrying value. At the Balance sheet date all financial assets subject to credit risk were neither past due nor impaired.

The Company meets its obligation on the Notes issued from the cash flows it receives from the pool of mortgage loans. As a consequence, the credit quality of the mortgage loans indicates the capacity of the Company to service its payments, although the mortgages remain on the Balance sheet of BOS and the structure of the securitisation provides for other credit enhancements.

Securitised mortgage assets

Securitised mortgage loans are analysed according to the rating systems used by the Company and the Originator when assessing customers and counterparties. The total mortgage portfolio balance against which the deemed loan to the Originator is ultimately secured has been analysed below.

For the purposes of the Company's disclosures regarding credit quality, securitised mortgage loans subject to credit risk have been analysed as follows:

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

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

Stage 3 - Financial assets which have experienced one or more events that have had a detrimental impact on the estimated future cash flows and are considered to be credit impaired. Financial assets are considered to be credit impaired and included in stage 3 when there is objective evidence of credit impairment. BOS assesses a loan as stage 3 when contractual payments of either principal or interest are past due for more than 90 days, the debtor is assessed as unlikely to pay, or the loan is otherwise considered to be in default.

Notes to the financial statements (continued)

For the year ended 31 December 2020

10. Management of risk (continued)

10(a). Credit risk (continued)

Securitised mortgage assets (continued)

2020 Mortgage balance by impairment stage	Mortgage balance £'000	Number of accounts
Stage 1	7,489,273	41,907
Stage 2	26,608	157
Stage 3	14,543	83
	7,530,424	42,147

2019 Mortgage balance by impairment stage	Mortgage balance £'000	Number of accounts
Stage 1	7,439,804	39,538
Stage 2	19,872	122
Stage 3	6,886	36
	7,466,562	39,696

Collateral held against retail mortgage lending comprises residential properties.

10(b). Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times.

The Deemed loan, the Debt securities in issue and Cash and cash equivalents are exposed to cash flow interest rate risk caused by floating interest rates that are reset periodically. The underlying mortgage pool comprises loans which track the Bank of England base rate and loans which bear a fixed rate of interest. To mitigate the changes in interest rate that would result in the interest cash flows from the mortgage pools being insufficient to meet the SONIA based payments on the Debt securities in issue, the Company entered into an interest rate swap with BOS to manage the Company's exposure to interest rate risk.

Under the terms of the swap, the Company pays the interest received from the fixed rate loans in the mortgage pool and receives a SONIA based rate for one-month Sterling deposits. The interest rate swap substantially eliminates the sensitivity to movements in interest rates. The swap is not separately recognised or valued in the financial statements as it forms part of the Deemed loan.

Notes to the financial statements (continued)

For the year ended 31 December 2020

10. Management of risk (continued)

10(c). Liquidity risk

The Company's ability to meet interest payments on the Notes as they fall due is dependent on the timely receipt of funds from the Deemed loan which may be delayed due to the level of repayment on the underlying mortgage portfolio (see 10(d) Prepayment risk below).

Principal repayments on the underlying mortgage portfolio are currently used to replenish the portfolio and can continue until 12 January 2022. Thereafter, principal repayment of the Notes will match principal repayment on the underlying mortgage portfolio. Therefore the repayment of the Notes is dependant on the level of prepayments within the mortgage portfolio (see note 10(a) Credit risk above and 10(d) Prepayment risk below).

The Company is only required to make payments on the Notes to the extent that it has received sufficient cash flows from the underlying mortgage pool, subject to the final legal maturity date of the Notes of December 2063, except for the A rated notes, that it holds as excess spread within the programme .

Principal repayments are made on the Notes in accordance with the Company's principal priority of payments and reflect the amount of principal collection on the underlying mortgage loans.

The liquidity table reflects the undiscounted cash payments which will fall due if the structure continues performing under current Principal Prepayment Rates ("PPR") rates until the final Note repayment as defined in the Programme Documentation (unless it is known that a Note will be repaid prior to this date when the earlier date will be used). It has been calculated, if current PPR continues and the Notes are called on the first call date, the average expected life of the Notes issued by the Company will end seven years after their original issue. This may not be the case in practice. The final legal maturity date of the Notes is December 2063.

2020	Carrying value	Contractual repayment value	<1 month	1-3 months	3 months - 1 year	1-5 years	>5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	7,600,000	7,600,000	-	-	-	7,600,000	-
Trade and other payables	36	36	-	36	-	-	-
Interest payable							
Interest payable on Debt securities in issue	3,874	261,655	6,888	13,130	61,130	180,507	-
	7,603,910	**7,861,691**	**6,888**	**13,166**	**61,130**	**7,780,507**	-

2019	Carrying value	Contractual repayment value	<1 month	1-3 months	3 months - 1 year	1-5 years	>5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Principal							
Debt securities in issue	7,600,000	7,600,000	-	-	-	1,440,000	6,160,000
Trade and other payables	18	18	-	18	-	-	-
Interest payable							
Interest payable on Debt securities in issue	7,055	727,213	11,288	21,871	100,184	497,326	96,544
	7,607,073	**8,327,231**	**11,288**	**21,889**	**100,184**	**1,937,326**	**6,256,544**

Notes to the financial statements (continued)

For the year ended 31 December 2020

10 Management of risk (continued)

10(d). Prepayment risk

In the normal course of business a proportion of borrowers repay their loan in advance of their contractual maturity date. As a result the weighted average life of the Deemed loan and of the Notes is likely to be significantly less than that implied by the contractual maturity dates of the mortgage pool.This risk is mitigated whilst we are a revolving year, until 12 January 2022, and as principal receipts received on the pool of mortgage loans can be used to purchase further mortgage loans from the Originator, these mortgage loans are retained in the structure.

The term of the Notes specifies that payments on the Notes will only be made to the extent that sufficient cash flows have been received from the Company's assets.(see also the in the liquidity risk)

The rate of prepayment of loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. In the event that prepayment rates on the mortgage pool reduce, principal repayments on the Deemed loan and on the Notes may be spread over a longer year.

The PPR for the underlying mortgage pool as detailed within the Investor report is as follows:

	Monthly PPR %	1 month annualised %	3 month annualised %	12 month annualised %
31 December 2020	**1.17**	**13.21**	**15.42**	**22.66**
31 December 2019	0.86	9.89	9.52	7.32

10(e). Fair values

The fair values of the Company's main financial instruments are detailed below:

Financial assets and liabilities carried at fair value

The financial instruments below are analysed by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Hierarchy for financial instruments at amortised cost

Deemed loan to the Originator

In standard market practice, the carrying value of the variable rate loans is assumed to be their fair value. The Deemed loan includes a start-up loan and an interest rate swap, which are not recognised separately. Both the start-up loan and the swap accrual are based on variable rates (SONIA). The principal of the loan is consideration for the underlying pool of mortgages which are significantly held at variable rate. For these reasons, the carrying value of the Deemed loan is considered to be a close approximation to fair value.

Trade and other payables

Trade and other payables are recognised on an amortised cost basis. The fair value of these liabilities is considered to be a close approximation to amortised cost due to the short term nature of these liabilities.

Cash and Cash equivalents

Cash and Cash equivalents are recognised on an amortised cost basis. The fair value of these assets is considered to be a close approximation to amortised cost due to the short term nature of these assets.

Debt securities in issue

The book value as at 31 December 2020 was £7,603,874k (2019: £7,607,055k) and the fair value as at 31 December 2020 was £7,643,417k (2019: £7,621,108k). The Notes have been valued where possible based on quoted market prices in active markets, including recent market transactions.

However, notes held by BOS within LBG cannot be valued in this way using observable inputs. For this reason, in accordance with "IFRS 7 Financial Instruments: Disclosures" and "IFRS 13 fair value measurement", the debt securities in issue are considered to be level 3 in the fair value hierarchy.

Notes to the financial statements (continued)

For the year ended 31 December 2020

11. Related party transactions

A number of transactions are entered into with related parties as part of the Company's normal business.

The related parties are BOS, LBG and Intertrust Management by virtue of their various roles and inputs into securitisation arrangements to which the Company is a party.

The Company pays cash management and mortgage loan servicing fees to BOS for the provision of services defined under the Programme Documentation.

BOS has provided the Company with subordinated loans and is the counterparty to an interest rate swap agreement.

Intertrust Management provides corporate administration services, including director services, pursuant to a corporate services agreement with the Company.

Intertrust Management Limited was paid £17,757 for services provided in the year to the Company and its parent (2019: £17,630).

During the year, the Company undertook the transactions set out below with related parties.

At 31 December	Parent 2020 £'000	Other related parties 2020 £'000	Parent 2019 £'000	Other related parties 2019 £'000
Statement of comprehensive income				
Interest receivable and similar income				
Interest on receivable deemed loan to the Originator	89,965	-	134,772	-
Bank interest receivable	344	-	1,147	-
Interest payable and similar charges				
Interest on debt securities in issue	90,222	-	134,947	-
Operating expenses				
Administration charges	-	18	-	18
Balance sheet				
Assets				
Deemed loan to the Originator	7,402,259	-	7,354,244	-
Cash and cash equivalents	201,653	13	252,830	13
Liabilities				
Debt securities in issue	7,600,000	-	7,600,000	-
Interest payable on Debt securities in issue	3,874	-	7,055	-

Elland RMBS Holdings Limited holds the Company's entire issued share capital of 50,000 ordinary shares of £1 each (49,999 are quarter paid and 1 share is fully paid).

12. Future accounting pronouncements

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets). These amendments are not expected to have a significant impact on the Company. There are no other accounting pronouncements that will be relevant to the Company, but which were not effective at 31 December 2020.

13. Post balance sheet event

There are no post balance sheet events.

14. Parent undertaking and controlling party

The parent undertaking, which is the parent undertaking of the smallest group to consolidate these financial statements is BOS. Copies of the consolidated annual report and financial statements of BOS may be obtained from LBG Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

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

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Independent auditors' report to the members of Elland RMBS 2018 plc

Report on the audit of the financial statements

Opinion

In our opinion, Elland RMBS 2018 plc's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; Statement of comprehensive income, Statement of changes in equity and Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the directors.

Basis for opinion

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- We tailored the scope of our audit to ensure that we performed sufficient work to enable us to opine on the annual report and financial statements, ensuring audit procedures were performed in respect of every material financial statements line item.
- In establishing the overall approach to the audit, we determined the type of work that needed to be performed by us taking into account the accounting processes and controls in place at LBG as ultimate parent undertaking, and the industry in which the Company operates.
- We obtained an understanding of the control environment in place for the Company and adopted a controls and substantive testing approach.

Key audit matters

- Impact of COVID-19
- Errors in the priority of payments (the "Waterfalls") due to a lack of understanding of the transaction

Materiality

- Overall materiality: £76,039,250 (2019: £76,070,743) based on 1% of total assets.
- Performance materiality: £57,029,428 (2019: £57,053,057).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the financial statements section, 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.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Programme Documentation associated with the securitisation transaction, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to intentional misrepresentation in relation to the performance of the mortgage loans. Audit procedures performed by the engagement team included:

- Making inquiries of those charged with governance in relation to known or suspected instances of non-compliance with laws and regulation and fraud.
- Review of meeting minutes.
- Testing on a sample basis, that the priority of payments has been applied in accordance with the Programme Documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	**How our audit addressed the key audit matter**
Impact of COVID-19 The global COVID-19 pandemic, and the associated societal restrictions imposed by the UK Government, have adversely affected the UK population and economy. The virus emerged in the UK in January 2020 and spread quickly, prompting the government to impose widespread restrictions on the population in March 2020. The successful development and administration of vaccines has created some optimism over the lifting of restrictions, but there remains significant uncertainty over the need and extent of future government intervention and the economic outlook, which may in turn have an impact on the Company. The UK government has deployed a range of support measures for people and businesses, and LBG has been active in some of these schemes, for example providing payment holidays. The directors have considered the implications of these events when preparing the financial statements and their assessment on going concern.	Our planning and execution of our audit has given specific consideration to the impact of COVID-19 on the Company. In assessing management's consideration of the impact of COVID-19 on the financial statements, we have undertaken the following procedures: • Performed inquiries with management; • Assessed the impact of COVID-19 on estimates and the assumptions that underpin them; • Reviewed management's going concern assessment, which considered the potential impact of COVID-19; • Evaluated the adequacy of the disclosures made in the financial statements with respect to the impact of COVID-19; • Inspected transaction documents to confirm the notes are limited recourse in nature; and • Performed a review of post year end investor reports. As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.
Errors in the priority of payments (the "Waterfalls") due to a lack of understanding of the transaction Due to the complexity of the securitisation structure contractual terms and the entity's special purpose nature, the Waterfalls present a pervasive risk to the overall accounting for the Company. If the Waterfalls are incorrectly processed, there is a risk that interest expense and principal balances payable to investors are not appropriately calculated and settled, and the cash flows returned to the seller as excess spread are incorrect. Due to the complexity and pervasive nature of the Waterfalls, this was an area of focus in our audit.	We understood the design of the securitisation structure through discussions with management and review of primary contractual documentation. We reviewed all investor reports and minutes of board meetings for the period to identify and investigate any unusual trends or incidents that would indicate a misstatement in the preparation and calculation of the Waterfalls. We tested the design and operating effectiveness of management's Waterfalls calculation controls through: • Inquiry with management on the Waterfall's priority of payment and by inspection of Waterfall working papers with the base prospectus; • Ensuring that sufficient segregation of duty exists between the preparation and review of the Waterfalls; and • Inspection of supporting documentation and recalculation of relevant data points for a sample of Waterfalls in the period.

	We performed substantive testing over a sample of Waterfalls to ensure no errors were made in Waterfalls preparation, including agreeing cash balances and transactions to cash account records, agreeing cash collections balances agreed to system reports and ensuring an appropriate segregation of duty existed for preparation and review. We tested key system reports to validate that pool assets were completely and accurately identified in source systems to support the cash collections as presented in the Waterfalls working papers. As a result of these procedures, we concluded that the Waterfalls were operating in line with the priority of payments.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£76,039,250 (2019: £76,070,743).
How we determined it	1% of total assets
Rationale for benchmark applied	The entity is a not-for-profit whose main priority is to remit the cash received in respect of its assets so as to repay its liabilities. As such total assets is considered an appropriate benchmark. Where total assets is used, if the Company is a public interest entity, a rule of thumb of up to 1% can be applied. We have deemed this to be a public interest entity and have therefore applied 1% due to the fact the entity has listed debt.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £57,029,428 (2019: £57,053,057) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the directors that we would report to them misstatements identified during our audit above £3,801,963 (2019: £3,803,537) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing rating and non-rating triggers in the Company's Programme Documentation and investor reports;
- Assessing the solvency position against the results for the financial year;
- Discussing with management the future plans for the Company and the wider securitisation programme; and
- Reviewing the performance of the mortgage loans against the investor reports.

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the directors, we were appointed by the directors on 10 January 2020 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2019 to 31 December 2020. There will be a mandatory rotation for the 2021 audit, and we will cease to be auditor of the Company.

Daniel Pearce

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
26 April 2021