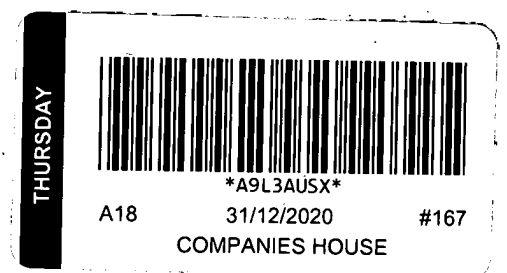


Company Registration No. 05718481

Gresham Receivables (No. 11) UK Limited

Report and Financial Statements

For the year ended 31 December 2019



Gresham Receivables (No. 11) UK Limited

Report and financial statements 2019

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Gresham Receivables (No. 11) UK Limited
Report and financial statements 2019
Officers and professional advisers

Directors

Daniel Jonathan Wynne
Ioannis Kyriakopoulos (appointed 26 March 2019)
Wilmington Trust SP Services (London) Limited

Secretary

Wilmington Trust SP Services (London) Limited

Bankers

The Bank of New York Mellon
One Canada Square
London
E14 5AL

Registered office

C/O Wilmington Trust SP Services (London) Limited
Third Floor
1 King's Arms Yard
London
EC2R 7AF

Auditor

Deloitte LLP ✓
Statutory Auditors
London

Gresham Receivables (No. 11) UK Limited

Strategic report

Principal activities and review of the business

Gresham Receivables (No. 11) UK Limited (the "Company"), a limited liability Company, was formed on 22 February 2006. The Company is a special purpose vehicle sponsored by Lloyds Bank plc which purchases investments backed by eligible receivables. These are funded through borrowings from Cancara Asset Securitisation Limited, Lloyds Bank plc or Bank of Scotland plc. The borrowings are collateralized by the purchased assets.

Cancara Asset Securitisation Limited is a special purpose vehicle in a conduit programme (the "Programme") sponsored by Lloyds Bank plc, which issues United States of America Commercial Paper and European Commercial Paper, the proceeds of which are advanced to associated purchaser companies which in turn acquire financial assets.

Shortly after formation, the Company entered into several agreements including an Administration Agreement and a Commissioning Agreement. Pursuant to the original agreements and subsequent amendments, the Company engaged Lloyds Bank plc to provide administration, structuring, documenting, monitoring and surveillance services. Lloyds Bank plc is compensated as Administrative Agent. Wilmington Trust SP Services (London) Limited provides corporate administration services to the Company pursuant to a corporate services agreement, for which it receives compensation.

In December 2016, the Programme's rating was reaffirmed as A-1sf by Standard & Poor's. In December 2016, the Programme's rating was reaffirmed as P-1sf by Moody's. In December 2016, the Programme's rating was reaffirmed as F1sf by Fitch Ratings. In March 2019, following the closing of a program amendment, the Programme's rating was reaffirmed as A-1sf by Standard & Poor's, P-1sf by Moody's and F1sf by Fitch Ratings.

Lloyds Bank plc and Bank of Scotland plc provide full support liquidity facilities which may be drawn as an alternative or alongside the issuance of commercial paper by Cancara Asset Securitisation Limited.

There is no significant change expected in the future to the activities of the Company.

Future prospects

The Administrative Agent has actively continued to identify new customer transactions which could be funded through the Programme.

Results and key performance indicators

The profit for the year was \$nil (2018: profit of \$1,277). The directors propose the payment of a dividend of \$nil (2018: \$1,277). As at 31 December 2019, there are no outstanding eligible receivables at the year-end as this has been redeemed.

The key performance indicator for the Company is the performance of the investments held which is measured through the impairment of the Investments. The investments continue to perform satisfactorily and there have been no material impairment provisions recognised in the year.

Gresham Receivables (No. 11) UK Limited

Strategic report (continued)

Principal risks and uncertainties

The Company's principal exposures to risk arise from its financial instruments held. The Company's financial instruments comprise principally amounts due from investments. Cash, accrued interest income, accrued interest payable and other items arise directly from the Company's operations. Further detail on financial instruments and their associated risks has been included in the note 6 to the financial statements.

Brexit

On 23 June 2016, the United Kingdom ("UK") voted to exit the European Union ("EU") and left the EU on 31 January 2020. However, with no trade deal currently reached, uncertainty exists around the arrangements of the UK's exit from the EU and its wider economic impact. This has not had any material impact on the Company to date and the Director will continue to monitor the situation going forward.

Going concern

In order to form a view of the most appropriate basis of preparation of these financial statements, the directors have assessed the likelihood of whether the Company will be able to continue trading for at least twelve months from the date of signing of the financial statements.

The Company monitors the current situation regarding the rapid transmission of COVID-19 and has considered the current economic developments in order to form a view of the impact of COVID-19 to the business and the environment in which it operates.


The Company is part of the Cancara Programme of the Lloyds Banking Group Plc ('LBG') or ('Group') as one of the purchaser companies collectively known as 'Greshams' to which Cancara provides funding through the issuance of commercial paper in the asset backed commercial paper market. The going concern assumption of the Cancara Programme is validated by the provision of full support liquidity facilities provided by Group entities, Lloyds Bank plc and Bank of Scotland plc, to the Greshams. Where the programme is unable to access external commercial paper funding, these liquidity facilities would be drawn on and would be expected to bear any credit losses that arose on the Gresham receivable assets – though, as highly-rated secured assets, the expected credit losses on these assets remain at a low level.

The Directors have considered the going concern assessment of LBG at a consolidated level, which incorporates the capital and funding requirements of the Cancara Programme. It is in the Directors' view that the going concern assessment of LBG illustrates the Group's ability to continue as a going concern and support the Cancara programme in a stressed scenario. As a result, the Directors are of the view that the Company will continue to be a going concern and accordingly the Company's financial statements have been prepared on a going concern basis.

Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited

Company Secretary

15 December 2020



Gresham Receivables (No. 11) UK Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019. The future prospects and developments are disclosed in the strategic report.

Subsequent events

As discussed in note 11, the directors have reviewed subsequent events.

Results, dividends and transfers to reserves

As referenced in the strategic report, the profit for the period was \$nil (2018: profit of \$1,277). The directors propose the payment of a dividend of \$nil (2018: \$1,277). Dividends are not paid during the year they are proposed.

Directors and their interests

The following directors held office throughout the period and subsequently:

Daniel Jonathan Wynne

Ioannis Kyriakopoulos (appointed 26 March 2019)

Wilmington Trust SP Services (London) Limited

Third party indemnity provisions for the benefit of the directors were in force during the period under review and remain in force as at the date of approval of the annual reports and financial statements.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

Gresham Receivables (No. 11) UK Limited

Directors' report (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Company has elected to dispense with the obligation to appoint an auditor annually and, accordingly, Deloitte LLP will be the auditor of the Company for the forthcoming financial year under the provisions of section 386(2) of the Companies Act 2006. The strategic report discloses future prospects and financial risk management objectives and policies (as part of principal risk and uncertainties).

Approved by the Board of Directors and signed on behalf of the Board



Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited

Company Secretary

15 December 2020

Gresham Receivables (No. 11) UK Limited

Directors' responsibilities statement

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

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

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Independent auditor's report to the members of Gresham Receivables (No. 11) Limited
Report on the audit of the financial statements**

Opinion

In our opinion the financial statements of Gresham Receivables (No. 11) UK Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flow; and
- the related notes 1 to 11.

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

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

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

In 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 strategic report or the directors' report.

Matters on which we are required to report by exception

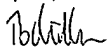
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.



Tom Millar FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 December 2020

Gresham Receivables (No. 11) UK Limited

Statement of comprehensive income

For the year ended 31 December 2019

	2019	2018
	\$	\$
Interest income	2,105,187	9,045,672
Fee and other income	398,635	2,507,925
Total income	2,503,822	11,553,597
Interest expense (note 2)	2,133,190	8,918,290
Non-interest expenses	370,632	2,633,730
Total expenses	2,503,822	11,552,020
Net profit before taxes (note 9)	-	1,577
Income tax expense (note 9)	-	300
Comprehensive (loss) profit	-	1,277

All activities in the current year relate to continuing activities.
There was no other comprehensive income in the current year.

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

Gresham Receivables (No. 11) UK Limited

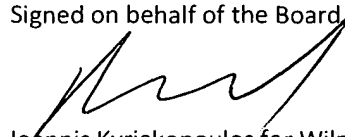
Statement of financial position

As at 31 December 2019

	31 December 2019	31 December 2018
	\$	\$
Assets		
Cash and cash equivalents	2	13,669
Accrued interest and fees receivable	-	531,539
Financial assets at amortised cost (note 4)	-	371,250,000
Other assets	17,038	1,917,977
	17,040	373,713,185
Liabilities and equity		
Liabilities		
Accounts payable and accrued liabilities	17,038	69,727
Advances from liquidity provider (note 5)	-	21,250,000
Advances from issuer Company (note 5)	-	352,392,179
	17,038	373,711,906
Equity		
Called up share capital (note 7)	2	2
Retained earnings	-	1,277
Shareholders' funds	2	1,279
	17,040	373,713,185

These financial statements of Gresham Receivables (No. 11) UK Limited, registration number 05718481, were approved and authorised for issue by the Board of Directors on 15 December 2020.

Signed on behalf of the Board of Directors


Ioannis Kyriakopoulos for Wilmington Trust SP Services (London) Limited
Director

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

Gresham Receivables (No. 11) UK Limited

Statement of changes in equity

For the year ended 31 December 2019

	2019	2018
	\$	\$
Shareholders' funds, beginning of year	1,279	1,353
Comprehensive income	-	1,277
Dividends	(1,277)	(1,351)
Shareholders' funds, end of year	2	1,279

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

Gresham Receivables (No. 11) UK Limited

Statement of cash flow

For the year ended 31 December 2019

	2019	2018
	\$	\$
Operating activities		
Interest and fee revenues received	3,035,361	11,280,255
Interest paid	(2,133,190)	(8,918,290)
Non-interest expenses paid	1,477,618	(2,650,321)
Net cash provided by (used in) operating activities	2,379,789	(288,356)
Investing activities		
Net redemption (funding) of financial assets	371,250,000	(95,750,000)
Net cash provided by (used in) investing activities	371,250,000	(95,750,000)
Financing activities		
Net repayment to liquidity provider	(21,250,000)	(195,590,909)
Net (repayments to) advances from issuer	(352,392,179)	299,601,527
Dividends	(1,277)	(1,351)
Net cash (used in) provided by financing activities	(373,643,456)	104,009,267
Net (decrease) increase in cash during the year	(13,667)	7,970,911
Cash (overdraft), beginning of year	13,669	(7,957,242)
Cash, end of year	2	13,669

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

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

1. Organisation

Gresham Receivables (No. 11) UK Limited (the "Company") was incorporated on 22 February 2006. The Company is a private limited company limited by shares. The Company is a special purpose vehicle sponsored by Lloyds Bank plc which purchases investments backed by eligible receivables. These are funded through borrowings from Cancara Asset Securitisation Limited, Lloyds Bank plc or Bank of Scotland plc. The borrowings are collateralized by the purchased assets.

Shortly after formation, the Company entered into several agreements including an Administration Agreement and a Commissioning Agreement. Pursuant to the original agreements and subsequent amendments, the Company engaged Lloyds Bank plc to provide administration, structuring, documenting, monitoring and surveillance services. Lloyds Bank plc is compensated as Administrative Agent. Wilmington Trust SP Services (London) Limited provides corporate administration services to the Company pursuant to a Corporate Services Agreement, for which it receives compensation.

The registered office of the Company is C/O Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF.

2. Significant Accounting policies

Basis of Preparation

The financial statements for the year ended 31 December 2019 have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRSIC). The standards applied by the Company are those endorsed by the European Union and effective at the date the financial statements are approved by the Board. All the accounting policies have been consistently applied in the financial statements. There are no new IFRS pronouncements relevant to the company requiring adoption in these financial statements.

The financial statements are presented in US Dollars which is the Company's functional and presentation currency and have been prepared on the historical cost basis. As stated on page 4, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2019

2. Significant Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

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. In these financial statements the calculation of the Company's expected credit loss (ECL) allowances under IFRS 9 requires the Company to make a number of judgements and assumptions, including the definition of default and significant changes in credit risk, which are detailed in note 6. No critical accounting estimates have been identified.

Cash and cash equivalents

Cash and cash equivalents consist of amounts on deposit, overdrafts are liabilities. Due to the short-term nature, carrying value of cash and cash equivalents approximate their fair values.

Financial assets and liabilities

On initial recognition, financial assets are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest. The Company assesses its business model based on its objectives for the relevant assets, how the performance of the assets is managed and reported, and the frequency of asset sales.

Financial liabilities are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the effective interest method.

The Company initially recognises loans and advances, deposits, debt securities in issue and subordinated 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 and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

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

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

2. Significant Accounting policies (continued)

Financial assets at amortised cost

The Company holds eligible receivables in a business model whose objective is to hold financial assets in order to collect contractual cash flows and, where the cash flows represent solely payments of *principal and interest*, they are eligible to be accounted for at *amortised cost*. They are initially measured at the amount of the advance being fair value and subsequently measured at amortised cost.

Advances from issuer Company

Borrowings from Cancara Asset Securitisation Limited under a commissioning agreement are at amortized cost. Interest expense is recorded on an accrual basis. The interest incurred on advances from the issuer Company is recorded as interest expense on a straight-line basis over the term of the advances which approximates the effective interest method due to their short-term maturities.

Interest income and expense

Interest income and expense are recognised in the Statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the 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 to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability, including early redemption fees, and related penalties, and premiums and discounts that are an integral part of the overall return. Direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument are also taken into account.

Interest income from non-credit impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses. Impairment policies are set out below.

Interest revenues are recognized on a straight-line basis over the related funding period which approximates the effective interest method due to their short-term maturities.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

2. Significant Accounting policies (continued)

Fee income and expense

Fees receivable which are not an integral part of the effective interest rate are recognised as income as the Company fulfils its performance obligations. The primary sources of the Company's revenues are finance charges on the eligible receivables and fees due from originators in connection with its activities.

Impairment

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses. Expected credit losses are recognised for financial assets held at amortised cost and loan commitments.

Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

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

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. The assessment is unbiased, probability-weighted and uses forward-looking information consistent with that used in the measurement of expected credit losses.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

2. Significant Accounting policies (continued)

In determining whether there has been a significant increase in credit risk, the Company uses quantitative tests based on relative and absolute probability of default (PD) movements linked to internal credit ratings together with qualitative indicators such as watchlists and other indicators of historic delinquency. However, unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, 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.

Foreign currency translation

Assets and liabilities in foreign currencies are translated into United States dollars at year-end rates. Revenues and expenses in foreign currencies are translated into United States dollars at the rate at the date of transaction. Realized and unrealized gains from foreign currency translation are included in interest expense in the Statement of comprehensive income.

Capital management

The Company's capital is comprised of nominal equity. The Company is structured so that the assets are expected to provide the Company with a return sufficient to pay its obligations under the short-term financing and expenses incurred.

The financial statements have been prepared on a going concern basis. The Company has the benefit of a committed limited recourse liquidity facility with Lloyds Bank plc which can be drawn down in the event that Cancara Asset Securitisation Limited is unable to issue commercial paper and therefore provide the funding for the Company.

In the event that Lloyds Bank plc was not to renew its commitments whilst a transaction is outstanding, the available facility amount could be drawn in full by the Company to ensure it remains in a position to meet obligations under the transaction. Under the terms of the liquidity facility agreements, the Company is only obliged to repay the drawn down amount from the facility to Lloyds Bank plc to the extent that it has funds available for such purpose.

The eligible assets are structured to incorporate credit enhancement to mitigate a stressed level of defaults in the underlying assets. In the event that the performance of the assets held deteriorates, triggers are in place which provide for draws on their committed limited recourse liquidity facilities.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

2. Significant Accounting policies (continued)

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 recognized, 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.

This company is taxable under the interim securitisation companies regime in accordance with The Securitisation Companies (Application of Section 83(1) of The Finance Act 2005: Accounting Standards) (Amendment) Regulations 2016. For corporation tax purposes, this company is therefore deemed to prepare its accounts under UK GAAP prior to the introduction of international accounting standards.

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

Future accounting changes

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 'Insurance Contracts' and is currently effective for annual periods beginning on or after 1 January 2021 although the International Accounting Standards Board have proposed delaying implementation until 1 January 2022. This is not expected to have any impact on the Company.

IFRS 17 replaces IFRS 4 Insurance Contracts and is currently effective for annual periods beginning on or after 1 January 2021 although the International Accounting Standards Board have proposed delaying implementation until 1 January 2023.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

2. Significant Accounting policies (continued)

Minor amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements). These amendments are not expected to have a significant impact on the Company.

3. Fair value of financial instruments

In accordance with IFRS 13, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the observability of the inputs used to measure fair value:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly; and

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair value of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

As at 31 December 2019 the Company had no financial instruments classified as Level 1 Level 2 or Level 3. There were no transfers between Level 1, 2 or 3 during 2019.

The carrying value of all financial instruments, as disclosed in the Company's statement of financial position as at 31 December 2019, approximate their fair value because such instruments are short-term in nature and/or bear variable interest rates.

4. Financial assets at amortised cost

The Company's financial assets at amortised cost are eligible receivables purchased by the Company. The eligible receivables purchased by the Company were pledged as security for the Company's borrowings from Cancara Asset Securitisation Limited. The total purchase commitments in place by the Company as at 31 December 2019 and 2018 equalled \$nil and \$371,250,000.

There were no outstanding eligible receivables of the Company as at 31 December 2019.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

6. Nature and extent of risks arising from financial instruments

Structured transactions such as securitizations involve risks including but not limited to (1) credit risk; (2) market risk and (3) liquidity risk. Credit risk is the risk of payment default or non-cash adjustments to receivable balances. Liquidity risk is the risk that funds will not be available to repay outstanding advances and that there will be a draw under the applicable liquidity or credit facility. Market risk incorporates interest rate risk, currency risk and other risks, including disruptions in the asset backed commercial paper market. Further discussion on each of these risks follows:

a) Credit risk

Credit risk refers to the risk that the eligible receivables will not be repaid to the Company. The credit risk associated with the cash and cash equivalents line is deemed to be minimal due to the credit quality of the counterparties with which the cash is held.

The credit risk faced by the Company is that the receivables acquired by the Company will default, thereby impairing the Company's ability to meet its obligations under short-term borrowings. The default risk is reduced through a combination of over-collateralisation measures and the imposition of transaction triggers.

As at 31 December 2019, the Company's maximum exposure to credit risk totals \$nil.

Allowance for impairment losses

Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

The calculation of the Company's expected credit loss (ECL) allowances and provisions against loan commitments under IFRS 9 requires the Company to make a number of judgements, assumptions and estimates. The most significant are set out below.

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Notes to financial statements
For the year ended 31 December 2019

6. Nature and extent of risks arising from financial instruments (continued)

Definition of default

The probability of default (PD) of an exposure, both over a 12 month period and 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 definition of default adopted by the Company is described in the significant accounting policies note.

Significant increase in credit risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a quantitative test together with qualitative indicators to determine whether there has been a SICR for an asset. A doubling of PD with a minimum increase in PD of 1 per cent and a resulting change in the underlying grade is treated as a SICR. All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

b) Interest rate risk

Interest rate risk arises from the mismatches between the maturities of interest rate sensitive assets and interest rate sensitive liabilities. The Company has minimised the interest rate risk by matching interest terms of assets and liabilities. During the period, all of the Company's borrowings and assets were at floating rates.

If interest rates had been 10 basis points higher during the year ended 31 December 2019, interest expense would have been approximately \$71,000 higher, and interest revenue would have been approximately \$71,000 higher, resulting in no change to net loss.

If interest rates had been 10 basis points lower during the year ended 31 December 2019, interest expense would have been approximately \$71,000 lower, and interest and fee revenue would have been approximately \$71,000 lower, resulting in no change to net loss.

Gresham Receivables (No. 11) UK Limited

Notes to financial statements

For the year ended 31 December 2019

6. Nature and extent of risks arising from financial instruments (continued)

c) Currency risk

The Company provides asset securitisation financing to companies operating in OECD countries. These relevant funding agreements are denominated in the operating currencies of the customers involved.

The Company's policy is to manage currency exposures on transactions. This is achieved through matching, as far as it is possible, assets and liabilities in order to reduce the net exposure to movements in foreign exchange rates.

d) Liquidity risk

Funding has been obtained through Cancara Asset Securitisation Limited. Repayments on these advances are dependent on cash receipts from the eligible receivables. Cancara Asset Securitisation Limited has limited recourse to the assets pledged under the terms of the Commissioning Agreement. The Company also has the benefit of a limited recourse liquidity facility which can be drawn upon should there be any timing gaps on the availability of borrowing.

In the addition to the purchase commitments discussed in note 4, in the normal course of business the Company enters into contracts that give rise to commitments of future payments that affect the Company's short-term and long-term liquidity. The following table provides a summary of the Company's primary contractual funding commitments:

	Within 1 year	31 December 2019
	\$	\$
Accrued expenses and other liabilities	17,038	17,038
	<u>17,038</u>	<u>17,038</u>
	Within 1 year	31 December 2018
	\$	\$
Accrued expenses and other liabilities	69,727	69,727
Advances from liquidity providers	21,250,000	21,250,000
Advances from issuer company	352,392,179	352,392,179
	<u>373,711,906</u>	<u>373,711,906</u>

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Notes to financial statements
For the year ended 31 December 2019

6. Nature and extent of risks arising from financial instruments (continued)

The following table provides a summary of the Company's expected asset recovery.

	Within 1 year	1 year to 3 years	4 years to 6 years	31 December 2019
	\$	\$	\$	\$
Accrued interest and fees receivable	-	-	-	-
Loans and receivables	-	-	-	-
	-	-	-	-

	Within 1 year	1 year to 3 years	4 years to 5 years	31 December 2018
	\$	\$	\$	\$
Accrued interest and fees receivable	531,539	-	-	531,539
Loans and receivables	-	371,250,000	-	371,250,000
	531,539	371,250,000	-	371,781,539

The net funding gap between loan assets and liabilities is overcome by the roll forward of the commercial paper in Cancara Asset Securitisation Limited and fundings from Lloyds Bank plc or Bank of Scotland plc, which facilitates the funding in the Company.

e) Market Risk

The liquidity arrangements noted above mitigate market risks associated with disruptions in the asset backed commercial paper market that would result in an inability of the Issuer to refinance any of its maturing commercial paper obligations.

7. Ultimate controlling party

The shares in the Company are held by Wilmington Trust SP Services (London) Limited under a declaration of trust for charitable purposes. There is one authorized share of £1 allotted, called up and fully paid as of 31 December 2019.

In accordance with the requirements of IFRS 10 "Consolidated Financial Statements" the Company's financial statements are consolidated within the group financial statements of Lloyds Banking Group plc for the year ended 31 December 2019.

The Company regarded by the directors as the ultimate parent Company of the Company is Lloyds Banking Group plc which is the parent undertaking of the largest group of undertakings for which group accounts are drawn and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group accounts of both may be obtained from the Company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN.

Gresham Receivables (No. 11) UK Limited
Notes to financial statements
For the year ended 31 December 2019

8. Related party transactions

Corporate administration services are provided to the Company by Wilmington Trust SP Services (London) Limited. The directors' fees are included in the corporate administration services fee. The fees charged in the period were \$16,441 (2018:\$12,033).

The number of employees and the key management remuneration for the Company are nil.

Also, Lloyds Bank plc acts in various capacities under the conduit programme documents including as the overdraft provider, a liquidity provider and a hedge counterparty. The Company had the following transactions with Lloyds Bank plc in the period:

	<u>2019 - \$</u>	<u>2018 - \$</u>
Liquidity and administration expense	215,867	1,927,114
Interest expense	248,663	1,344,838

The Company had the following transactions outstanding with Lloyds Bank plc at the period end:

	31 December <u>2019 - \$</u>	31 December <u>2018 - \$</u>
Accounts receivable	-	1,917,977
Liquidity draw	-	10,625,000
Interest payable	-	10,869

Also, Bank of Scotland plc acts as a liquidity provider to the Company during the financial year. The Company had the following transactions with Bank of Scotland plc in the period:

	<u>2019 - \$</u>	<u>2018 - \$</u>
Liquidity expense	136,354	686,806
Interest expense	247,001	1,344,838

The Company had the following transactions outstanding with Bank of Scotland plc at the year end:

	31 December <u>2019 - \$</u>	31 December <u>2018 - \$</u>
Accounts payable	-	29,219
Liquidity draw	-	10,625,000
Interest payable	-	10,869

Gresham Receivables (No. 11) UK Limited
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For the year ended 31 December 2019

8. Related party transactions (continued)

The Company includes interest payable in accounts payable and accrued liabilities in the statement of financial position.

In addition, the Company had short-term borrowings from Cancara Asset Securitisation Limited, which are fellow members of the group headed by Lloyds Banking Group plc, and had the following interest expense on those borrowings in 2019:

	<u>2019 - \$</u>	<u>2018 - \$</u>
Interest expense	1,637,470	6,228,541

The Company had the following secured short-term borrowings outstanding with Cancara Asset Securitisation Limited at period end:

	31 December	31 December
	<u>2019 - \$</u>	<u>2018 - \$</u>
(Receivable)Short-term borrowings	(17,038)	352,392,179

9. Income tax expense

For the period ended 31 December 2019, the Company shows net profit before taxes of \$nil (2018, \$1,577) and income tax expense of \$nil (2018, \$300).

10. Auditor's Remuneration

	<u>2019 - \$</u>	<u>2018 - \$</u>
Fees payable to the company's auditor for the audit of the company's annual accounts	1,184	7,769

11. Subsequent events

Since the close of the reporting period, the COVID-19 outbreak has been labelled a global pandemic by the World Health Organisation. The pandemic and the subsequent impact on the economy arose in 2020 and do not affect the state of the Company's affairs as at 31 December 2019. As disclosed on page 4, the directors have reviewed the going concern assessment of LBG and is of the view that even in a stressed scenario that the Group is expected to absorb funding or capital requirements relating to the Cancara programme.

There was no adjusting event to the Company's financial statements as of 31 December 2019.