Leeds Building Society Covered Bonds Limited Liability Partnership

Registered Number: OC340174

Members' Report and Financial Statements

Year ended 31 December 2022

Corporate information

Members
Leeds Building Society
Leeds Covered Bonds Designated Member (No.1) Limited
Leeds Covered Bonds Designated Member (No.2) Limited

Registered Office
26 Sovereign Street
Leeds
LS1 4BJ

Auditor
Deloitte LLP
1 City Square
Leeds
LS1 2AL

Banker
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Legal Advisor
Allen & Overy LLP
1 Bishops Square
London
E1 6AD

Members' Report

The Members present their Annual Report on the affairs of Leeds Building Society Covered Bonds Limited Liability Partnership (the LLP), together with the audited Financial Statements for the year ended 31 December 2022.

Principal activities

The LLP has been set up as a special purpose vehicle to raise finance for Leeds Building Society (LBS), a mutual building society authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). Its principal activity is to acquire, inter alia, loans and their related security from LBS pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the covered bonds. The LLP will legally hold the portfolio and the other charged property in accordance with the terms of the transaction documents.

Results

The profit for the year after taxation amounted to £3,182,100 (2021: profit of £833,007). This is mainly attributable to the accounting policies adopted for derivative financial instruments which require fair value gains and foreign exchange gains/ (losses) to be recognised in the income statement. The impact on the Statement of Comprehensive Income that was attributable to fair value movements in derivatives was a gain of £2,144,998 (2021: gain of £1,913,805). In addition there was a foreign exchange gain for the financial year of £1,035,929 (2021: loss of £1,080,798).

Key performance indicators

The LLP is used as a secured funding vehicle, and as such its key performance indicators have been designed to aid LBS in its role as mortgage administrator. These are:

- Asset Coverage Test. This test is performed to ensure that the value of mortgage loans held in the portfolio is at least equal to the Sterling equivalent of the aggregate principal amount of the outstanding covered bonds. The percentage calculated shows the excess of mortgages (after stresses applied) above the value of the covered bonds. At 31 December 2022 the scheme's asset coverage percentage was 83.0% (2021: 83.0%).
- Arrears profile. The arrears profile calculates the number of months that a mortgage loan has been in arrears. See note 14 for the arrears profile analysis for the LLP at 31 December 2022 and 31 December 2021.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out below. The financial position of the LLP, its cash flows, liquidity position and borrowing facilities are set out in the Financial Statements.

In addition, details of the LLP's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit, operational, liquidity risk and other risks are set out in notes 14 to 17 to the Financial Statements. The LLP's objectives, policies and processes for managing its capital are described in note 15 to the Financial Statements.

The Members have considered in detail the LLP's forecast performance and liquidity requirements, as well as its regulatory capital and liquidity resources. On this basis, the Members have a reasonable expectation that the LLP has sufficient funding and liquidity facilities to continue in operational existence for the foreseeable future.

Whilst the LLP is currently in a net liability position, this is not considered to have a significant impact on the going concern assumption, due to the continued support from LBS and the level of gross over-collateralisation of the beneficial interest in mortgages. The LLP has sufficient liquid resources available to meet its obligations as they fall due. This is supported by the LLP's total asset position which exceeds the amount payable to noteholders as at the year-end.

The activities of the LLP are dependent upon the future funding strategies within LBS and there are no plans to terminate the operations of the LLP within at least the next year. After reviewing the above factors, the Members are satisfied that there are no material uncertainties that may cast significant doubt over the LLP's ability to continue as a going concern for a period of at least twelve months and have, therefore, continued to adopt the going concern basis in preparing these financial statements.

Members' Report (continued)

Members

The Members during the year and to the date of this Annual Report were:

Leeds Building Society
Leeds Covered Bonds Designated Member (No.1) Limited
Leeds Covered Bonds Designated Member (No.2) Limited

Members' interest

The allocation of profits or losses to, and the acceptance/repayment of capital contributions from/to Members have been legally formalised. Members are entitled to the sum of £3,000 (or such other sum as may be agreed by the Members from time to time) in aggregate, to be allocated and paid to each Member in proportion to their respective Capital Contribution Balances subject to a minimum of £1 per annum each, as their profit for their respective interests as Member of the LLP. Where a loss is made this is borne by LBS.

Risk management

Risk management within the LLP is undertaken by LBS, primarily by its Assets and Liabilities Committee (ALCO), which reports into the Board Risk Committee. ALCO oversees the treasury strategy and operations and ensures that these are conducted within the framework of control set out in the LBS Board approved Wholesale Credit Risk Policy (WCRP). The main duties of ALCO include monitoring the LLP's exposure to funding and liquidity risks, market risk, and wholesale counterparty credit risk, in addition to approving any proposed additions to the underlying pool of mortgages.

Credit risk

The LLP is exposed to the potential risk that a customer will not be able to meet its obligations to the LLP as they fall due. This risk is mitigated by the mortgage underwriting process at the inception of mortgage loans by LBS and is actively monitored.

Market risk

Market risk is the risk that the value or cash flows of a financial instrument will fluctuate due to movement in market factors. Market risk within the LLP mainly comprises interest rate risk and currency risk. The market risk is minimised by the use of loans and deposits with LBS as well as the use of appropriate hedging instruments.

Liquidity risk

Liquidity risk is the risk that the LLP will be unable to meet current and future financial commitments as they fall due. The risk is managed by a dedicated structured funding team using the facilities available to them within the covered bond structure, such as the use of extra liquidity held in the Reserve Ledger and credit enhancement sustained in the programme.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational loss can result from fraud, errors by employees of LBS, failure to comply with regulatory requirements, equipment failures or natural disasters. Conduct risk is a sub-set of operational risk and is considered to be the risk that actual or potential customer detriment arises, or may arise, from the way LBS and its subsidiaries conduct their business. LBS ensures independent assessment of conduct risk through a dedicated Conduct Oversight function, and committee. These risks are managed as an integral part of the operations of each of LBS's business units.

The LLP and LBS have continued to operate effectively throughout the current uncertain economic environment. The mortgages and structure in place continue to operate in the current environment. Liquidity coverage in LBS remains above the regulatory minimum and the financial position of LBS is strong. There is currently no significant impact of the current economic uncertainty on the cash flow to the LLP.

Disclosure of information to external auditor

The Members who held office at the date of approval of the Members' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the Members have taken all the steps that they ought to have taken as Members to make themselves aware of any relevant audit information (as defined) and to establish that the LLP's auditor is aware of that information.

Members' Report (continued)

Auditor

Having expressed their willingness to continue in office until the next annual members' meeting, a resolution for the re-appointment of Deloitte LLP as auditors of the Partnership will be proposed at the forthcoming annual members' meeting in accordance with the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (as amended).

Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director
For and on behalf of
Leeds Covered Bonds Designated Member (No.1) Limited
As Member

23 March 2023

Statement of Members' Responsibilities

The Members are responsible for preparing the Members' Report and the Financial Statements in accordance with applicable United Kingdom law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 (as amended) require the Members to prepare Financial Statements for each financial year. Under that law the Members have elected to prepare the Financial Statements in accordance with International Accounting Standards in conformity with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members 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 LLP and of the profit or loss of the LLP for that period.

In preparing the financial statements, the Members are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- 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 International Financial Reporting Standards (IFRS) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the LLP's financial position and financial performance;
- in respect of the Financial Statements, state whether International Accounting Standards in conformity with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its Financial Statements comply with those regulations.

They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

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Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director
For and on behalf of
Leeds Covered Bonds Designated Member (No.1) Limited
As Member

23 March 2023

Independent auditor's report to the members of Leeds Building Society Covered Bonds LLP

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Leeds Building Society Covered Bonds LLP:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2022 and of its profit 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 International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to a limited liability partnership

We have audited the financial statements, which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interest;
- the statement of cash flows; and,
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

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 limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The members 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 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.

Independent auditor's report to the members of Leeds Building Society Covered Bonds LLP (continued)

Responsibilities of members

As explained more fully in the members' responsibilities statement, the members 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 members 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports

Independent auditor's report to the members of Leeds Building Society Covered Bonds LLP (continued)

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

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

- adequate accounting records have not been, 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
- 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 limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed..

M. Bainbridge

Matthew Bainbridge
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
23 March 2023

Statement of Comprehensive Income

for the year ended 31 December

	Note	2022 £000	2021 £000
Interest receivable and similar income	3	**4,779**	14,155
Interest payable and similar charges	4	**(4,739)**	(14,041)
Net interest income		**40**	114
Administrative expenses	5	**(39)**	(114)
Fair value gains from financial instruments	7	**2,145**	1,914
Foreign exchange gain / (loss)		**1,036**	(1,081)
Profit for financial year before members' remuneration and profit share		**3,182**	833
Other comprehensive income		**-**	-
Total comprehensive income for the year		**3,182**	833

All amounts relate to continuing operations.

The notes on pages 13 to 27 are an integral part of these Financial Statements.

Statement of Financial Position

as at 31 December

	Note	2022	2021
		£000	£000
Assets			
Cash and cash equivalents	8	**168,245**	66,321
Loan to originator	9	**2,189,429**	1,571,613
Derivative financial instruments	10	**409**	8,602
Other receivables	11	**100,003**	1
Total assets		**2,458,086**	1,646,537
Liabilities			
Interest bearing loans and borrowings	12	**2,308,620**	1,620,100
Fair value adjustment for hedged risk	12	**(19,602)**	7,235
Derivative financial instruments	10	**20,024**	25,511
Other payables	13	**152,198**	27
Total liabilities		**2,461,240**	1,652,873
Net (liabilities) attributable to members		**(3,154)**	(6,336)
Retained earnings		**(3,154)**	(6,336)
Total liabilities & retained earnings		**2,458,086**	1,646,537

The accompanying notes on pages 13 to 27 are an integral part of these Financial Statements.

Loan to originator is payable to LBS, a Member of the Limited Liability Partnership.

The Financial Statements were approved by the Members and authorised for issuance on 23 March 2023 and signed on their behalf by:

Helena Whitaker
Per pro Intertrust Directors 1 Limited
As Director
For and on behalf of
Leeds Covered Bonds Designated Member (No.1) Limited
As Member

23 March 2023

Limited Liability Partnership Registration No. OC340174

Statement of Changes in Members' Interest

for the year ended 31 December

	2022	2021
	£000	£000
Total members' interest as at 1 January	**(6,336)**	(7,169)
Total comprehensive income / (expense) for the financial year	**3,182**	833
Total members' interest as at 31 December	**(3,154)**	(6,336)

The accompanying notes on pages 13 to 27 are an integral part of these Financial Statements

Statement of Cash Flows

for the year ended 31 December

	Note	2022 £000	2021 £000
Operating Activities			
Profit / (loss) for the year		**3,182**	833
Adjustments for:			
Non-cash and other items			
Net decrease in accrued interest on swaps		**905**	869
Fair value gains from financial instruments*		-	1,914
Foreign exchange (losses)*		-	(1,081)
Cash generated from operations		**4,087**	2,535
Changes in operating assets and liabilities:			
Net (increase) in loan to originator	9	**(617,816)**	(19,209)
Net decrease in derivative financial instruments	10	**1,801**	28,685
Net (increase) in other receivables		**(100,002)**	-
Net increase / (decrease) in interest bearing loans and borrowings	12	**8,492**	(26,730)
Net (decrease) for fair value adjustment for hedged risk		**(26,837)**	(5,438)
Net increase / (decrease) in other payables	13	**152,171**	(32,708)
Net cash inflows / (outflows) from operating activities		**(578,104)**	(52,866)
Net cash from investing activities		-	-
Cash flows from financing activities:			
Issuance of debt securities		**1,000,000**	-
Repayment of debt securities		**(319,972)**	-
Net cash from financing activities		**680,028**	-
Net increase in cash and cash equivalents		**101,924**	(52,866)
Cash and cash equivalents at the beginning of the year		**66,321**	119,187
Cash and cash equivalents at the end of the year	8	**168,245**	66,321

* In the current year we have included these movements within the respective operating assets and liabilities amounts.

The accompanying notes on pages 13 to 27 are an integral part of these Financial Statements

Notes to the Financial Statements

1. Accounting policies

(a) General information

Leeds Building Society Covered Bonds LLP is a limited liability partnership, incorporated and domiciled in the United Kingdom and registered in England and Wales. The address of the registered office is 26 Sovereign Street, Leeds LS1 4BJ.

(b) Basis of preparation

The Financial Statements for the year ended 31 December 2022 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. These accounts also comply with the relevant provisions of Part 15 of the Companies Act 2006. The Financial Statements are presented in sterling which is the LLP's functional and presentational currency and rounded to the nearest thousand.

The principal accounting policies adopted are described below and have been consistently applied from the prior year, unless otherwise stated.

The LLP prepares its Financial Statements under the historical cost convention, except where financial assets and liabilities are held at fair value through the Statement of Comprehensive Income. The Financial Statements have been prepared on the going concern basis as outlined in the Members' Report.

(c) Income recognition

Interest income and expense on all financial instruments is recognised in interest receivable or payable in the Income Statement. Interest income and expense is calculated using the effective interest rate method for financial assets and liabilities held at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Interest income and expense on financial assets and liabilities held at Fair Value through Profit and Loss (FVTPL) is recognised in line with the accrual of receipts or payments which are contractually due on the instrument.

(d) Taxation

Taxation on all partnership profits is solely the liability of Members. Consequently, neither taxation nor related deferred taxation is accounted for in the LLP's Financial Statements.

(e) Financial instruments

The LLP has classified its financial instruments with reference to both the LLP's business model for managing the instruments and the contractual cash flow characteristics of the instruments. The LLP's financial instruments have been classified into the following categories:

Financial assets

i) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, amounts due from other banks and short term investments in securities.

ii) Loan to originator

In accordance with IFRS 9, where a transfer of a financial asset by the transferor does not qualify for derecognition, the transferee does not recognise the transferred asset as its asset. Instead the transferee recognises a receivable, measured at amortised cost, from the transferor, and derecognises any cash or other consideration paid. LBS has transferred to the LLP various mortgage portfolios. However, it is considered inappropriate for these to be derecognised by LBS as it has retained significant risks and rewards of ownership of these financial assets. The loan to the originator is based on the contractual amounts owed by customers.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

ii) Loan to originator (continued)

Included in the loan to originator is deferred consideration. The contractual requirement to pay deferred consideration is accounted for at amortised cost. The level of deferred consideration depends on the extent to which surplus income generated by the underlying mortgages in which the LLP has a beneficial interest exceeds the administration costs of the scheme. Deferred consideration is deducted from interest income as the LLP is not entitled to this excess consideration. Deferred consideration is any excess cash receipt from the underlying pool of mortgages, which is payable to the originator (LBS) as part of the original transfer agreement.

iii) Other receivables

Other receivables are held at amortised cost.

Financial liabilities

i) Interest bearing loans and borrowings

Interest bearing loans and borrowings comprise a series of term advances from LBS, equivalent to the amounts raised by LBS under its covered bonds programme, held at amortised cost. It is the responsibility of LBS to record in its own Financial Statements the debt commitment arising from the issue of the covered bonds. However, in the event of default by LBS this obligation will transfer to the LLP. The term advance represents this obligation. Included within the term advance is the value of covered bond issuances that were released to external third parties.

ii) Derivative financial instruments

The LLP, where it is deemed appropriate, uses derivative financial instruments to economically hedge its exposure to interest rate risk arising from its operational activities. The LLP does not hold or issue derivative financial instruments for trading purposes. Initially derivative financial instruments are recognised at their fair value in the Statement of Financial Position. Subsequently derivatives are re-measured and any change in their fair value is recognised in the Statement of Comprehensive Income. Where hedge accounting criteria are met the fair value of the derivative can be offset in the Statement of Comprehensive Income against the fair value movement of the risk being hedged, in this case the interest rate risk associated with issuing fixed rate bonds.

iii) Fair value adjustment for hedged risk

The LLP designates fixed rate issuances in to hedge relationships to mitigate interest rate risk.

iv) Other payables

Other payables are held at amortised cost. Finance costs are charged to the Statement of Comprehensive Income using the effective interest rate method.

(f) Impairment of financial assets

The carrying amounts of the LLP's financial assets held at amortised cost are reviewed at the date of the Statement of Financial Position to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. In the event that there is an impairment, the carrying amount of the asset is reduced through a provision account and the amount of the loss is recognised in the Statement of Comprehensive Income.

Impairment loss provisions are calculated to cover future losses expected to emerge over a defined time period, dependent on the stage allocation of the individual asset, as set out below. This approach to impairment losses is known as the expected credit loss (ECL) basis as required by IFRS 9.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition. Impairment losses are recognised to cover 12 month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment losses are recognised to cover lifetime ECL.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default. Impairment losses are recognised to cover lifetime ECL.

Financial assets continue to be recognised, net of impairment loss provisions, until there is no reasonable prospect of recovery. If a loss is ultimately realised, it is written off against the provision previously made.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(g) Fair value hedge accounting

The LLP continues to apply the IAS 39 hedge accounting requirements, as permitted by IFRS 9.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured monthly at their fair value. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The LLP makes use of accounting fair value hedges to reduce volatility in the Statement of Comprehensive Income. If derivatives are not designated as accounting hedges then changes in fair values are recognised immediately in the Statement of Comprehensive Income.

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate loans and investment products. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the relationship is de-designated and the adjustment to the carrying amount of the hedged item is amortised to the Statement of Comprehensive Income over the period to maturity. The LLP did not enter into any cash flow hedge relationships during the year or previous year.

(h) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange prevailing at the date of the Statement of Financial Position. Any exchange rate differences are recorded in the Statement of Comprehensive Income as they arise.

(i) Related party transactions

LBS, the LLP's controlling undertaking, is registered in England and Wales. The administration, operations, accounting and financial reporting functions of the LLP are performed by LBS. Related party transactions with Group undertakings are detailed in the relevant notes.

2. Critical accounting estimates and judgements

Critical accounting judgement

Loan to originator

As described in note 1, judgement is required in assessing whether risks or rewards of ownership of the mortgage portfolio have been transferred by LBS to the LLP.

The loan to originator asset is subject to annual impairment assessment and the ECL on the underlying mortgage portfolio is calculated by LBS using models and management judgements which incorporate both quantitative and qualitative factors such as historical experience on loan performance, risk evaluation at the point of origination and forecast of future economic scenarios. Any impairment on the underlying mortgage portfolio itself does not result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages as any losses incurred would be deducted from deferred consideration payable to LBS. Therefore the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2022.

Financial assets are considered to be in default and are allocated to Stage 3 if contractual payments are more than 90 days past due or if the borrower is subject to certain forbearance activities or has been identified as bankrupt and is in arrears by more than a nominal amount. LBS has provided a financial commitment to the LLP and is required to buy back all defaulting mortgages once they reach three months in arrears. As a result the LLP does not suffer a loss on the buy back as it receives all outstanding amounts, including the accrued arrears.

Notes to the Financial Statements (continued)

3. Interest receivable and similar income

	2022	2021
	£000	£000
Interest receivable on loan to originator, net of deferred consideration	4,417	14,134
Interest receivable on collateral	-	21
Interest receivable on cash deposits	362	-
	4,779	14,155

As described in note 1, deferred consideration is deducted from interest income as the LLP is not entitled to this excess consideration.

4. Interest payable and similar charges

	2022	2021
	£000	£000
Interest payable on loans and borrowings	73,512	14,637
Interest (receivable) on derivative financial instruments	(68,773)	(586)
	4,739	14,041

5. Administrative expenses

	2022	2021
	£000	£000
Management fees	39	114

The audit fee for the current year has been paid on the LLP's behalf by its UK controlling undertaking, LBS, in accordance with LBS policy, for which a recharge has not been made. The audit fee for the current year (excluding irrecoverable VAT) is £14,652 (2021: £12,109).

6. Members' emoluments

The Designated Members in total received £1,200 and LBS received £1,200 in respect of qualifying services during the year to 31 December 2022 (2021: £1,200 and £1,200 respectively). The LLP has no employees (2021: none).

Notes to the Financial Statements (continued)

7. Fair value gains from financial instruments

	2022 £000	2021 £000
Derivatives designated in fair value hedge relationships	**(27,176)**	(5,436)
Fair value adjustment for hedged risk of hedged items	**27,193**	5,438
Derivatives not designated in fair value hedge relationships	**2,128**	1,912
	2,145	1,914

8. Cash and cash equivalents

	2022 £000	2021 £000
Deposits with other banks	**168,245**	66,321

Included in the amount reported for cash and cash equivalents is £52,170,000 (31 December 2021: nil) of cash collateral received from LBS in relation to derivative financial instruments.

Derivatives held by the LLP are managed bilaterally under the terms of industry-standard International Swaps and Derivatives Association (ISDA) Master Agreements and Credit Support Annexes (CSA). Under these arrangements, collateral is exchanged between the counterparties of the transaction to mitigate some of the counterparty credit risk inherent in outstanding derivative positions.

Derivative transactions are usually settled on a gross basis and therefore there is no netting in the financial statements.

9. Loan to originator

Loan to originator represents a receivable from LBS, generated as a result of the transferred beneficial interest in the mortgage portfolio. The loan to originator is due in over one year.

	2022 £000	2021 £000
Loan to originator	**2,189,429**	1,571,613

As outlined in Note 1 the loan to originator is held at amortised cost and is reviewed for impairment at each reporting date.

Any impairment on the underlying mortgage portfolio does not itself result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages, as any losses incurred would be deducted from deferred consideration payable to LBS. Losses on the underlying mortgage portfolio would have to be greater than the excess revenue recognised for an impairment provision to be recognised. Therefore the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2022.

Notes to the Financial Statements (continued)

10. Derivative financial instruments

	2022	2021
	£000	£000
Derivatives designated in fair value hedges:		
Interest rate swaps	**(20,024)**	8,602
Derivatives not designated in fair value hedge relationships:		
Cross currency swaps	**409**	(25,511)
	(19,615)	(16,909)

See note 14 for a maturity analysis of financial instruments.

11. Other receivables

	2022	2021
	£000	£000
Other receivables	**100,003**	1

Included in the amount reported for other receivables is £100,000,000 (31 December 2021: nil) of collateral assets that have been pledged by LBS in relation to derivative financial instruments.

12. Interest bearing loans and borrowings and fair value adjustments for hedged risk

Interest bearing loans and borrowings comprise a series of term advances from LBS, equivalent to the amounts raised by LBS under its Covered Bonds Programme. Each term advance bears interest at a rate equal to the rate of interest payable on the corresponding series of covered bonds.

LBS will not be relying on repayment by the LLP in part, or in full, of the term advance or the interest thereon to meet its interest and repayment obligations under the covered bonds.

The covered bonds are unconditionally guaranteed by the LLP. The term advances will not be repaid by the LLP until all amounts payable under the corresponding covered bond series have been repaid in their entirety. Any amounts owed by the LLP are subordinated to amounts owed by the LLP under the Priorities of Payment Guarantee.

Under this guarantee the LLP's obligations constitute direct obligations and are secured from time to time against the assets of the LLP and recourse against the LLP is limited to such assets. The principal asset of the LLP is its beneficial interest in the mortgage loans acquired from LBS. The LLP has also provided a guarantee as to payments of interest and principal under the Covered Bonds Programme Trust Deed, where amounts would otherwise be unpaid by LBS.

The LLP treats the above guarantee contract as a contingent liability until such time as it becomes probable that the LLP will be required to make a payment under the guarantee. There have been no such arrangements in force during the current or prior years.

Notes to the Financial Statements (continued)

12. Interest bearing loans and borrowings and fair value adjustments for hedged risk (continued)

The amounts due to LBS mature on the following dates:

Issue	Maturity Date	Currency of issue	Interest rate	Payment terms	2022 £000	2021 £000
	Interest bearing loans and borrowings:					
10	3 July 2024	Euro	Fixed 0.5%	Annually in arrears	**(442,990)**	(418,924)
11	15 April 2023	Sterling	SONIA	3 months in arrears	**(265,631)**	(600,588)
12	15 January 2025	Sterling	SONIA	3 months in arrears	**(600,000)**	(600,588)
13	17 May 2027	Sterling	SONIA	3 months in arrears	**(500,000)**	-
14	15 September 2026	Sterling	SONIA	3 months in arrears	**(500,000)**	-
					(2,308,619)	(1,620,100)
	Fair value adjustment for hedged risk:					
10	3 July 2024				**19,602**	(7,235)
					19,602	(7,235)

On 15 September 2022, LBS announced an invitation to the holders of the Series 11 Covered Bonds due 15 April 2023 to tender any and all of their Covered Bonds for purchase with cash. The results of the tender were announced on 26 September 2022 in which LBS had received valid tenders of £319,972,000. All valid tenders were accepted and the offer settled on 29 September 2022. LBS also cancelled £14,397,000 of its own holdings of the Series 11 Covered Bonds at the same time.

The outstanding amount due on the Series 11 term advance to LBS at 31 December 2022 was £265,631,000.

For the purposes of the Statement of Cash Flows, interest bearing loans and borrowings are classified as liabilities arising from financing activities, and no other items within the Statement of Financial Position are classified as such. The table below provides a reconciliation of movements in interest bearing loans and borrowings:

	2022 £000	2021 £000
At 1 January	**1,620,100**	1,646,830
Cash flows:		
Net proceeds from issue of debt securities	**1,000,000**	-
Repayments of debt securities in issue	**(319,972)**	-
Movement in accrued interest	**(14,399)**	8,870
Non cash flows:		
Foreign exchange movements	**22,890**	(35,600)
At 31 December	**2,308,619**	1,620,100

13. Other payables

	2022 £000	2021 £000
Amounts owed to credit institutions	**152,198**	27
	152,198	27

Included in the amount reported for amounts owed to credit institutions is £152,171,000 of amounts payable to LBS in relation to collateral that will be payable in relation to the derivative financial instruments for which LBS is the counterparty.

Notes to the Financial Statements (continued)

14. Financial commitment

LBS has provided a financial commitment to the LLP. From October 2009, LBS is required to buy back all defaulting mortgages from the LLP once they reach three months in arrears. The LLP does not suffer a loss on the buy back as it receives all outstanding amounts, including the arrears.

15. Risk management policy and control framework

Gross contractual cash flows

The following table shows the gross contractual cash flows of the LLP's financial liabilities:

	Not more than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Total £000
31 December 2022				
Interest bearing loans and borrowings	**322,415**	**2,178,668**	**-**	**2,501,083**
Other payables	**152,198**	**-**	**-**	**152,198**
	474,613	**2,178,668**	**-**	**2,653,281**
31 December 2021				
Interest bearing loans and borrowings	13,548	1,607,613	-	1,684,161
Other payables	27	-	-	27
	13,575	1,607,613	-	1,684,187

Maturity profile of financial instruments

The table below analyses the LLP's assets and liabilities into relevant maturity groupings based on the remaining period between the Statement of Financial Position and the contractual maturity date.

	Not more than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Total £000
31 December 2022				
Assets				
Cash and cash equivalents	**168,245**	**-**	**-**	**168,245**
Loan to originator	**-**	**-**	**2,189,429**	**2,189,429**
Derivative financial instruments	**-**	**409**		**409**
Other receivables	**100,003**	**-**	**-**	**100,003**
Total assets	**268,248**	**409**	**2,189,429**	**2,458,086**
Liabilities				
Interest bearing loans and borrowings	**265,631**	**2,042,988**	**-**	**2,308,619**
Fair value adjustment for hedged risk	**-**	**(19,602)**	**-**	**(19,602)**
Derivative financial instruments	**-**	**20,024**	**-**	**20,024**
Other payables	**152,198**	**-**	**-**	**152,198**
Total liabilities	**417,829**	**2,043,410**	**-**	**2,461,239**

Notes to the Financial Statements (continued)

15. Risk management policy and control framework (continued)

	Not more than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Total £000
31 December 2021				
Assets				
Cash and cash equivalents	66,321	-	-	66,321
Loan to originator	-	-	1,571,613	1,571,613
Derivative financial instruments	-	8,602	-	8,602
Other receivables	1	-	-	1
Total assets	66,322	8,602	1,571,613	1,646,537
Liabilities				
Interest bearing loans and borrowings	-	1,620,100	-	1,620,100
Fair value adjustment for hedged risk	-	7,235	-	7,235
Derivative financial instruments	-	25,511	-	25,511
Other payables	27	-	-	27
Total liabilities	27	1,652,846	-	1,652,873

Credit risk

Credit risk arises because of the risk of factors such as deterioration in the individual investee's financial health and uncertainty within the wholesale market generally. For the reasons outlined above the exposure to loss as a result of credit risk is kept to a minimum; however, the LLP is exposed to credit risk via its loan to originator which is collateralised on the LLP's beneficial interest in the covered bond mortgage portfolio. When the loans in the portfolio do not provide sufficient funds to cover the investment made by the LLP, it has no superior claim on the assets of LBS.

The LLP's maximum exposure to credit risk is equal to the value in its investment in the mortgage portfolio of £3.6bn (2021: £2.3bn) and £168.2m (2021: £66.3m) in relation to cash amounts deposited with Barclays.

It is the responsibility of LBS's Credit Committee to formulate and monitor policy pertaining to asset quality and credit risk, with ultimate challenge and oversight resting with the LBS Board. LBS is firmly committed to the management of this risk at all stages of the lending cycle. LBS monitors closely customer affordability and loan to value multiples at the application stage. It employs appropriate underwriting and fraud detection techniques to minimise losses once loans have been approved, and it also takes a proactive approach to the control of bad and doubtful debtors which is managed by a specialist team dedicated solely to the collections and recovery process. LBS continues to invest in developing and enhancing its arrears management strategies to minimise credit risk whilst ensuring that customers are treated fairly. The total value of loans that have had their terms restructured in 2022 is £9.9m (2021: £12.3m).

Credit risk for residential mortgages is managed by LBS and impairment provisions are calculated under IFRS 9. It requires an impairment provision to be recognised on origination of a financial asset, based on its anticipated credit loss. The LLP recognises the expected credit loss on the loan to originator when it is estimated that it will not be in a position to receive all payments due. The expected credit loss is the difference between contractual cash flows and the cash flows the LLP expects to receive discounted at the effective interest rate of the loan to originator. Any impairment on the underlying mortgage portfolio itself does not result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages as any losses incurred would be deducted from deferred consideration payable to LBS. Therefore the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2022.

Notes to the Financial Statements (continued)

15. Risk management policy and control framework (continued)

The table below shows the arrears profile of the mortgage portfolio:

	2022	2022	2021	2021
	£000	%	£000	%
Not past due	3,560,228	99.2	2,282,203	99.0
>0 <=1 month arrears	22,792	0.6	16,473	0.7
>1 <=2 months arrears	3,986	0.1	4,292	0.2
>2 <=3 months arrears	1,796	0.1	1,639	0.1
>3 months arrears	-	-	139	-
Total	3,588,802	100.0	2,304,746	100.0

General UK economic factors, such as unemployment and problems in the housing market have an impact on credit risk, and these factors may affect some areas of the UK more than others (concentration risk). The mortgage portfolio's exposure to concentration risk is outlined in the table below:

	2022	2022	2021	2021
	£000	%	£000	%
East Anglia	358,122	10.0	233,958	10.1
East Midlands	288,381	8.0	174,485	7.6
London	397,408	11.1	272,152	11.8
North	181,250	5.1	103,434	4.5
North West	407,203	11.3	235,240	10.2
Northern Ireland	55,776	1.6	67,096	2.9
South East	526,886	14.8	333,713	14.5
South West	364,112	10.1	227,496	9.9
Scotland	94,646	2.6	113,511	4.9
Wales	166,753	4.6	96,982	4.2
West Midlands	330,566	9.2	193,797	8.4
Yorkshire	417,698	11.6	252,882	11.0
Total	3,588,802	100.0	2,304,746	100.0

16. Capital management and financial resources

Capital held by the LLP is managed centrally as part of LBS. Capital is managed by way of processes set up at inception of the LLP and subsequently there is no active process for managing its own capital. The LLP is designed to hold minimum reserves once all amounts due have been received and amounts owing have been paid. The LLP's capital is not externally regulated. Risks such as interest rate risk and foreign exchange rate risk have an impact on the LLP's capital. As discussed in the Members' Report these are managed by LBS.

Notes to the Financial Statements (continued)

17. Financial instruments

The financial instruments of the LLP comprise a loan to originator, derivative financial instruments, cash and cash equivalents, interest bearing loans and borrowings, other receivables and other payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for LBS.

The following table summarises the classification of the carrying value of the LLP's financial assets and liabilities:

2022	**Amortised cost**	**Fair value through profit and loss**	**Total**
	£000	**£000**	**£000**
Assets			
Cash and cash equivalents	**168,245**	**-**	**168,245**
Loan to originator	**2,189,429**	**-**	**2,189,429**
Derivative financial instruments	**-**	**409**	**409**
Other receivables	**100,003**	**-**	**100,003**
Total assets	**2,457,676**	**409**	**2,458,085**
Liabilities			
Interest bearing loans and borrowings	**2,308,620**	**-**	**2,308,620**
Fair value adjustment for hedged risk	**-**	**(19,602)**	**(19,602)**
Derivative financial instruments	**-**	**20,024**	**20,024**
Other payables	**152,198**	**-**	**152,198**
Total liabilities	**2,460,818**	**422**	**2,461,240**

2021	Amortised cost	Fair value through profit and loss	Total
	£000	£000	£000
Assets			
Cash and cash equivalents	66,321	-	66,321
Loan to originator	1,571,613	-	1,571,613
Derivative financial instruments	-	8,602	8,602
Other receivables	1	-	1
Total assets	1,637,935	8,602	1,646,537
Liabilities			
Interest bearing loans and borrowings	1,620,100	-	1,620,100
Fair value adjustment for hedged risk	-	7,235	7,235
Derivative financial instruments	-	25,511	25,511
Other payables	27	-	27
Total liabilities	1,620,127	32,746	1,652,873

Notes to the Financial Statements (continued)

17. Financial instruments (continued)

Book value and fair values

A comparison of the LLP's financial instruments' book value and fair value has been provided below. Fair values have been determined using external market prices where available. When this data is not available internal pricing models have been used.

		Fair value hierarchy level	Book value 2022 £000	Fair value 2022 £000	Book value 2021 £000	Fair value 2021 £000
Assets						
Cash and cash equivalents	ii.	**Level 1**	168,245	168,245	66,321	66,321
Loan to originator	i.	**Level 3**	2,189,429	2,078,176	1,571,613	1,601,474
Derivative financial instruments	iii.	**Level 2**	409	409	8,602	8,602
Other receivables	ii.	**Level 1**	100,003	100,003	1	1
			2,458,085	2,346,833	1,646,537	1,676,398
Liabilities						
Interest bearing loans and borrowings	iv.	**Level 1**	2,308,620	2,347,863	1,620,100	1,639,376
Fair value adjustment for hedged risk	v.	**Level 2**	(19,602)	(19,602)	7,235	7,235
Derivative financial instruments	iii.	**Level 2**	20,024	20,024	25,511	25,511
Other payables	ii.	**Level 1**	152,198	152,198	27	27
			2,461,240	2,500,483	1,652,873	1,672,149

i. Loan to originator is recognised at amortised cost. The fair value is calculated on the discounted cash flow basis, which also includes an assessment of future credit loss where appropriate.

ii. Other receivables, cash and cash equivalents and other payables are recognised at amortised cost. This is considered to be a close approximation to fair value for these short term instruments.

iii. All derivatives are held for economic hedging purposes. The fair value of interest rate swaps is calculated via a discounted cash flow valuation model and checked against counterparty valuations. The fair value of cross currency swaps is obtained from internal calculations. Derivatives are held at fair value through profit and loss.

iv. The fair value of interest bearing loans and borrowings has been calculated by reference to the price of the term advances from LBS which represent the covered bonds issued, which are listed on the London Stock Exchange.

v. The fair value adjustment for hedged risk is calculated using a discounted cash flow valuation model and held at fair value through profit and loss.

Fair value hierarchy

Level 1: Relates to financial instruments where quoted prices (unadjusted) in active markets can be found for identical assets or liabilities.

Level 2: Valuation techniques are used to value these instruments for which significant inputs are taken from observable market data for the asset and liability, either directly (for example as price) or indirectly (for example derived prices) other than quoted prices included in Level 1. These include valuation models used to calculate the present values of expected future cash flows, using curves from published market sources and are employed when no active market exists or when no quoted prices for similar instruments can be obtained. Level 2 instruments comprise derivative financial instruments where values are derived from internal calculations.

Notes to the Financial Statements (continued)

17. Financial instruments (continued)

Level 3: The valuation of the asset or liability is not based on observable market data (unobservable inputs). Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models may include risk-free benchmark interest rates, foreign currency exchange rates, equity index prices and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arms-length transaction.

As the loan to originator will change in line with the underlying mortgage portfolio this is deemed to be an unobservable input and therefore the instruments have been classified as Level 3.

18. Hedge accounting

The LLP designates certain derivatives as fair value hedges of recognised fixed rate liabilities. These derivatives are transacted as receive fix, pay floating swaps and have been transacted to manage the interest rate risk associated with issuing debt at a fixed rate. No other risk, such as credit risk, is managed using an accounting hedge relationship.

The swap and the risk it has been transacted to hedge are designated as micro fair value hedges. In this type of hedge a single swap is matched directly against a term advance from LBS (equivalent to the fixed rate covered bond amount issued by LBS under its covered bond programme) and remains matched until maturity or a de-designation event (such as becoming ineffective).

By hedging in this way the change in fair value of the term advance and swap offset to reduce volatility in the Statement of Comprehensive Income. The main source of ineffectiveness in the micro hedges is differences in the discount rate used to calculate the fair values of the swap and term advance.

The notional value of interest rate swaps designated into hedge relationships is as follows, analysed by maturity date:

31 December 2022	**Less than 3 months £000**	**3 to 12 months £000**	**1 to 5 years £000**	**Over 5 years £000**
Micro hedges of interest bearing loans and borrowings				
Denominated in Euros				
Swap notional	-	-	**442,978**	-
Average fixed rate %	-	-	**0.5%**	-

31 December 2021	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000
Micro hedges of interest bearing loans and borrowings				
Denominated in Euros				
Swap notional	-	-	420,097	-
Average fixed rate %	-	-	0.5	-

Notes to the Financial Statements (continued)

18. Hedge Accounting (continued)

The tables below provide analysis of the impacts of hedge accounting on the Statement of Financial Position and the Statement of Comprehensive Income:

	Interest rate swaps			Hedged items				
	Notional	Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		
	amount	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	SOFP
2022	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**line item**
Hedge of wholesale funding denominated in Euros	**442,978**	**- -**	**20,024**	**- -**	**442,978**	**19,602**	**-**	**Note 2**

	Interest rate swaps			Hedged items				
	Notional	Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		
	amount	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	SOFP
2021	£000	£000	£000	£000	£000	£000	£000	line item
Hedge of wholesale funding denominated in Euros	420,097	8,602	0	0	(420,097)	0	(7,235)	Note 2

Notes:

1. The Statement of Financial Position line that includes these items is "Derivative financial instruments".

2. The Statement of Financial Position lines that include these fair value adjustments on hedged items is "Fair value adjustment for hedged risk".

Notes to the Financial Statements (continued)

19. Members and capital reserves

The average number of Members during the year was three (2021: three). Profit share is based upon Members' capital contribution balances.

20. Ultimate controlling party and transactions with related parties

The LLP considers LBS to be its ultimate controlling party, as it has the power to govern its financial and operating policies, and so obtain benefit from its activities. LBS is a building society authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Copies of LBS's Annual Report and Accounts are available from the registered office at 26 Sovereign Street, Leeds, LS1 4BJ.

The largest and smallest Group in which the results of the LLP are consolidated is that headed by LBS. The LLP has provided a loan to LBS (see note 9).

LBS has pledged £100,000,000 (31 December 2021: nil) of assets and £52,170,000 (31 December 2021: nil) of cash as collateral with LLP in relation to derivative financial instruments. See notes 8 and 11.

Intertrust Management Limited provides corporate administration services pursuant to a corporate services agreement with the LLP. Intertrust Management Limited was paid £8,380.80 in 2022 (2021: £14,815) for services provided in the year. These fees are paid on behalf of the LLP by LBS.