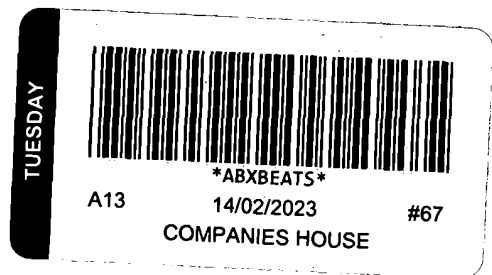


Registration number: 1397939

LeasePlan UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021



LeasePlan UK Limited (registered number: 1397939)
Contents

Company Information	2
Strategic Report	3 to 13
Directors' Report	14 to 23
Statement of Directors' Responsibilities	24
Independent Auditor's Report to the members of LeasePlan UK Limited	25 to 28
Statement of Comprehensive Income	29
Statement of Financial Position	30
Statement of Changes in Equity	32
Notes to the Financial Statements	33 to 75

LeasePlan UK Limited (registered number: 1397939)
Company Information

Directors	A Martinez R Cellier
Company secretary	S Carlin
Registered office	165 Bath Road Slough Berkshire SL1 4AA
Auditor	KPMG LLP 15 Canada Square London E14 5GL

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of LeasePlan UK Limited ("LeasePlan" or "the company") is vehicle leasing and fleet management. The core business, known as Car-as-a-service, involves managing the entire vehicle lifecycle for our customers, from purchasing, insurance and maintenance to the remarketing of leased vehicles. The company operates in several segments, comprising Corporate, SME, Public Sector, Consumer and Commercial Vehicle markets. These segments enjoy strong positions in their own specific markets, each offering a comprehensive range of vehicle funding and management services to meet the needs of all fleets, ranging from consumers and smaller businesses to multi-nationals and public sector organisations.

Fair review of the business

LeasePlan UK Limited delivered a profit for the financial year of £29.4m (2020: £80.7m). The key drivers comprise improved performance in the resale of second hand vehicles during the year, recovery of material debtor's balances that were previously provided for and overall cost control measures.

Operating income decreased by £38.5m (21.2%) and operating expenses increased by £21.1m (28.2%) resulting in an decrease in profit after tax of £51.3m (63.5%). By comparison, in 2020 operating income increased by £92.3m (110%) and operating expenses increased by £7.6m (11.2%), resulting in a increase in profit after tax of £66.3m (459.4%) compared to 2019. LeasePlan grew its fleet size by 2.5%(2020: reduction of 3.3%), compared to the prior year. The industry wide shortage of new registrations is a result of the shortage of semi-conductors as explained on page 5. The Company's strong profit for the year was further supported by in-house cost control initiatives and strong remarketing performance.

The long-term relationship continues with British Car Auctions Ltd ("BCA") which was announced in early January 2021 continues to operate well in streamlining the disposal of terminated stock.

Key performance indicators

LeasePlan monitors its performance through key performance indicators, which are set out in the table below.

The directors analyse and review the key performance indicators monthly to understand the development, performance and position of the company, and, where applicable, of each segment. A management reporting pack encompassing all key performance indicators is produced monthly to highlight areas for the board to monitor and control. Every month, the LeasePlan Group Board members review the LeasePlan UK financials with local Board members. Indicators tracked cover performance (profitability per vehicle, ratios such as operating expenses over operating income and profitability over risk adjusted capital) and exposure to risk (including residual value risk, credit risk, liquidity risk and interest rate risk).

	Unit	2021	2020
Revenue	£m	1,132	1,035
Profit for the year	£m	29	81
Book value of vehicles under operating lease	£m	2,130	2,184
Finance lease receivables	£m	493	356
Total equity	£m	304	358
Number of vehicles in lease portfolio		187,377	186,341
		2021	2020
Ratios			
Operating expenses / Operating income		69.8%	42.5%
Return on equity		2.1%	22.5%

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

Strategy

LeasePlan UK is part of LeasePlan Corporation N.V. one of the world's leading fleet management, vehicle management and leasing companies. As one of the Group's largest operating countries across 29 markets, our strategy is built on the central approach, centralised on the following strategic pillars:

- **Continue implementing Digital LeasePlan:** Become a digital service integrator through digital LeasePlan;
- **Grow Car-as-a Service:** Capitalise on our leadership position in the large and growing Car-as-a-Service market;
- **Achieve net zero emissions:** Achieve net zero emissions from our total fleet by 2030;
- **Drive operational excellence:** Drive further operational excellence through the "Power of One LeasePlan".

Building on the strong local foundations of profitable growth, we leverage the strength and scale of the entire organisation to realise value for our customers and investors. Focusing on the core value streams of Commercial, Procurement, Repair, Maintenance and Tyres ("RMT"), Remarketing and Insured Leases, we are working to enhance the service to our customers whilst reducing costs by increasing efficiency.

Digital and system investment remains a key priority as we look to enhance the in-life operation of our fleet and the ease in which our customers interact with us.

Company strengths

The LeasePlan group, headed by LeasePlan Corporation N.V., operates in 29 countries with over 1.8m vehicles worldwide. The group's structure enables LeasePlan UK Limited to service smaller, regional clients, while also offering a global and coordinated product to international customers. Our shared knowledge allows us to benefit from best practice in all areas of the fleet management business and supply chain.

Our scale and shared expertise enables the Company to leverage our buying power when purchasing new vehicles and investing in new products or services to support mobility trends and deliver efficient processes. Meanwhile, our independence from any automotive or financial institution allows the Company to offer a wide variety of makes and models to our customers at attractive price points.

Market Trends

LeasePlan UK Limited remains committed to all the markets it operates in and expects to continue in the Corporate, SME, Public Sector, Consumer and Commercial Vehicle markets. We are investing in core products to support the changing mobility market, including flexible leasing and subscription-based products, electric vehicle infrastructure and funding options.

The LeasePlan group is dedicated to ensuring its continued adaptation to the ever-changing market, in order to keep our customers as mobile as possible. Our team of experts, specialised in the challenging dynamics of today's and tomorrow's mobility market, has identified the following key market trends:

- Growth in electric vehicles, as demonstrated by the 90% increase in pure electric vehicles in the funded fleet in 2021 versus prior year;
- Increase in commercial vehicles on the fleet (+5.5%), outpacing the growth in passenger cars (+0.5%).
- Geopolitics, particularly trade barriers and import tariffs, will define global trade;
- Digitalisation will offer new ways to buy cars, with a forecast of online sales in the overall new car market rising to 10% in 2021 from a pre-pandemic 5%.

Looking at the broader regulatory landscape, we continue to see an increase in governance from the Financial Conduct Authority and its efforts to reshape the industry, as well as support consumers during the Coronavirus Health Crisis. No changes in IFRS regulations significantly affected our external reporting for 2021. LeasePlan's dedicated Privacy Officer and Global Data Protection office continue their work to ensure data protection policies, processes and systems are maintained and updated in compliance with the General Data Protection Regulations ("GDPR").

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

LeasePlan UK Limited places customer satisfaction and loyalty at the heart of its strategy and approach to business, as materialised in the "Great" rating achieved on Trustpilot. We continue to actively request, monitor and use customer feedback to develop products and services in ways that truly meet our customers' needs. Internal initiatives, such as the "Journey to Wow" project launched in the fourth quarter of 2019, seek to improve the standard of service provided to customers at all levels of the organisations - including in non-customer facing roles. Furthermore, in 2021, we launched our new customer first attitudes to ensure an enhanced focused on customer satisfaction.

Future developments

Outlook for 2022

LeasePlan UK Limited entered 2022 with confidence in the strength and resilience of its fleet and overall business. Our strategy is to lead the growing trend from ownership to usership observed in the markets. We aim to provide the future of mobility, through our "any car, anytime, anywhere" service, allowing our customers to focus on their own future and endeavours. LeasePlan UK is feeling the effects on the semi-conductor shortage, however, is committed to mitigate this by the introduction of a number of measures and internal changes, which has been met with success thus far.

Coronavirus Health Crisis

The coronavirus outbreak was declared a pandemic in 2020, however since then several vaccinations have been discovered and many restrictions have eased. During 2021 LeasePlan UK experienced growth, mainly due to re-opening of the markets following vaccination programs, a positive used-car market and lower than expected customer defaults due to our high-quality customer base.

New additions in December 2021 were up 4% (2021: down 29.4%) from December 2020 with orders returning to pre-pandemic levels in 2021, though the semi-conductor shortage and its impact on procurement affected the additions figure for the Company.

Fleets are naturally relatively robust to shocks, thanks to the multi-year operational cycle. Additionally, the financial impact of this fleet size contraction is offset by the strong performance of the used car market. The price effect on vehicles and LCVs, as a result of combined high demand for home deliveries and low levels of new stock from original equipment manufacturer ("OEMs"), continued to drive the price of second hand vehicles.

Semiconductor shortage

The global automotive economy suffers from a semi-conductor shortage, which originated in 2020 and worsened through 2021. Due to the reliance of modern vehicles on these semi-conductors, the shortage has led to disruption in the supply chain of new vehicles, with the ripples affecting the entire automotive industry.

The semi-conductor shortage developed as a result of supply-chain disruption from unrelated events. In summary, the key events affecting the supply-chain distribution in 2021 have been:

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

- The simultaneous reduction in OEMs' orders during the coronavirus driven lockdown of early 2020 and increase in demand from other sectors, such as personal computers.
- The backlog OEMs are facing is expected to continue throughout 2022 and into 2023, though gradual improvement is being observed throughout the industry.
- High utilisation rates for semi-conductors signify a lack of capacity for meeting both the new demand and the pre-existing requirements of the automotive industry.

As of 31 December 2021, expected lead times had further increased by 62% compared to December 2020. The increase in lead times has impaired fleet growth, due to the extended time required to fulfil large new customer orders obtained by the Company.

The impact of longer lead times on the business model have been limited by its knock-on effect on both extensions of existing vehicles and performance on the second-hand vehicle markets in 2021. Indeed, existing customers tend to extend their current lease while waiting for the delivery of their new vehicle. As a result, LeasePlan UK Limited continues to derive revenue from these customers despite the delays in the supply chain. Simultaneously, the second-hand vehicle market experienced its highest prices in 12 years during 2021. The performance of LeasePlan UK Limited used vehicles upon resale has thus limited the impact from the strain on fleet growth.

Ukraine-Russian War

The Ukraine-Russia war is a key contributing factor to the significant increase in energy prices and the wider cost of living crisis affecting the UK and wider Europe. Refer to Note 30 for further details.

ALD acquisition

As discussed in note 30, the Company's ultimate parent Leaseplan Corporate N.V is involved in negotiations for potential acquisition of the whole of Leaseplan group by ALD Automobile

Section 172 (1) statement

Under section 172(1) of the UK Companies Act 2006 ("Section 172"), the directors of LeasePlan UK Limited confirm that they have acted and continue to act in the way that they consider, in good faith, would be most likely to promote the success of the Company. In doing so, the directors have regard to all stakeholders and:

- The likely consequences of any decision in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

Long-term consequences of decisions made or acted upon in the financial year

As part of our established long-term corporate strategy, the directors conduct regular business reviews. These reviews include the progression of LeasePlan UK Limited towards the accomplishment of its strategic pillars, which are central to decisions made and/or acted upon by senior management. Investment in digitalisation and key systems are an additional priority to enhance both in-life operation of the Company's fleet and ease communication with customers.

The successful stewardship of the Board of Directors is demonstrated by the two awards and one commendation won by LeasePlan UK Limited in 2021:

LeasePlan UK Limited (*registered number: 1397939*)
Strategic Report for the Year Ended 31 December 2021 (continued)

- WhatVan? Awards 2021: Leasing Company of the Year (Award)
- Business Van Awards 2021: Best Van Leasing Award (Award)
- GreenFleet Awards 2021: Leasing Company of the Year (Highly Commended)
- FN Awards 2021: Customer Service Award, Team (Highly Commended)

The continued strong performance of LeasePlan UK Limited led the Board of Directors to recommend and approve the payment of a £84million (2020: £20million) dividend to its sole shareholder, Inula Holdings Limited. This decision was taken after careful consideration of the available reserves, profitability and going-concern of the company - including its ability to pay its debts as they fall due. The dividend was approved during the Board of Directors' meeting on 16 December 2021 and settled on 20 December 2021.

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

Fostering business relationships with suppliers and customers

Fostering and promoting business relationships with suppliers and customers is a key focus of LeasePlan UK Limited's directors. This is accomplished both via internal processes and initiatives, as well as actively sharing ideas and best practices with other LeasePlan entities. Commitment to these relationships is demonstrated through the internal project "Journey to Wow", which culminated in a large-scale reorganisation of multiple teams in March 2020 to ensure that stakeholders are better and more efficiently dealt with. The Company's success is evidenced by its "Great" rating on Trustpilot.

Relationships with suppliers are the remit of the Head of Supplier Management, who provides a point of contact for communication to and from suppliers. Dedicated teams support the supplier network and work to ensure that LeasePlan UK Limited is operating as efficiently as possible. The importance of supplier relationships is reinforced internally through training and the internal recognition scheme. Indeed, the latter places suppliers and customers at the centre of the policy, with an aim to highlight best practice within the company's employees.

LeasePlan UK Limited uses Net Promoter Score (NPS) surveys to measure customer satisfaction and ensure that any learnings from its outcomes are applied going forwards. Monthly communications with customers as to the developments of LeasePlan further allows communication channels to remain open. Further, on-going training is provided to our franchisee network in order to further the quality of service they can deliver to customers.

Impact of operations on the community and the environment

LeasePlan UK Limited is committed to having a positive impact on its community and the environment.

The Head of Employee and Community Engagement is also responsible for charity and community activities, including partnership fundraising, community support and internal CSR campaigns. In 2019, the Company launched our fourth two-year charity partnership, this time with Mind, as voted for by employees. The partnership is delivered with the help of a group of volunteer Charity Champions, who support fundraising and volunteering efforts. The charitable contributions and donations made by LeasePlan UK Limited and its employees are further detailed within further sections of the Strategic Report.

Maintaining high standards of business conduct

LeasePlan UK Limited is regulated by the FCA. The conduct rules are followed by all employees in their day-to-day work. These comprise the requirement to act with integrity, due skill, care and diligence, be open and cooperative with regulators, observe proper standards of market conduct and pay due regard to the interests of customers and treat them fairly.

Beyond the requirements set by the FCA, compliance with all applicable laws and regulations is at the root of policies in place at LeasePlan UK Limited. Employees are provided with training and regular refreshes / updates in the requirements placed upon them by all applicable external regulations and internal policies. Employees are subsequently duty bound to uphold every aspect of all relevant laws and conduct business in accordance with the practices of fair competition and the prevention of corruption.

LeasePlan UK Limited's Corporate Governance Framework is set-up and reviewed annually to ensure that it promotes compliance with applicable laws and regulations. Further details on the Framework are included within the "Corporate Governance Code" section of the Strategic Report.

Acting fairly between members of the Company

LeasePlan UK Limited is a single-member company, whose sole shareholder is Inula Holdings Limited. The latter's shares are wholly owned by LeasePlan Corporation N.V., the company's ultimate parent, which operates within the same industry as LeasePlan UK Limited. The directors are thus not exposed to conflicts in acting fairly between members of the company as it pertains to sections 172(1).

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

Environmental matters

Streamlined Energy & Carbon Reporting (SECR)

In accordance with new reporting requirements introduced by the UK government for accounting periods beginning on or after 1 April 2019, the greenhouse gas ("GHG") emissions and energy use by LeasePlan UK Limited's operations in the UK during the financial year ending 31 December 2021 are recorded in the table below:

	2021	2020
Energy consumption used to calculate emissions (kWh)		
Gas (kWh)	856,048	824,313
Electricity (kWh)	1,227,696	1,688,397

LeasePlan UK Limited has implemented several energy saving projects, which has resulted in reductions across the majority of metrics. These projects include:

- ISO 14001:2015 recertification for 3 years retained in Jan 2022, giving continuity of certification since 2010.
- Undergoing significant office refurbishment, including reporting on environmental waste, increased use of recycled and re-used materials. Installation of LED lighting, and reduction in server room consumption.
- 86% of employee car fleet now driving Battery Electric Vehicles (BEV).

All energy consumption disclosed above relate to the usage made by our offices in the UK.

Greenhouse gas emissions

Total emissions from 2021 consumption was 738 tCO₂e (2020: 1,006.tCO₂e). The following table expresses our annual emissions in relation to quantifiable factors associated with our activities. Intensity ratios (tonnes of CO₂e per unit)

	2021	2020
Ratio of carbon emissions to total revenue (£k revenue)	0.001	0.001
Ratio of carbon emissions to operating income (£k operating income)	0.005	0.005
Ratio of carbon emissions to employees (average headcount)	1.43	1.83

From an environmental point of view, LeasePlan UK Limited's operations has unintended negative effects on society, as many of the vehicles in our fleet produce CO₂ emissions, thereby contributing to air pollution. The Company's ongoing efforts were recognised by the GreenFleet Awards in 2015, 2016, 2018, 2019, 2020 and 2021. LeasePlan UK Limited was commended in 2016 and 2020 and won Leasing Company of the Year in 2015, 2018, 2019 and 2021. The Company is fully committed to the LeasePlan group of companies' target of transforming its funded fleet into a net zero tailpipe-emission operation by 2030. This objective's importance to LeasePlan UK Limited is demonstrated by it being one of the five key strategic pillars for the company. LeasePlan UK Limited's commitment to the policy starts at home, with an ongoing transition of all employee vehicles to Battery Electric Vehicles (BEVs). LeasePlan Corporation N.V. have signed a declaration at COP26 on accelerating the transition to 100% zero emission cars and vans.

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

Reporting methodology

Energy consumption and CO2e emission data were calculated in line with the 2019 UK Government environmental reporting guidance. LeasePlan UK Limited used Emission Factor Database 2021, version 1.0, utilising the current published kWh gross calorific value and kg CO2e emission factors relevant for the reporting year.

Estimates were used to cover:

- missing billing periods, equating to 1% of reported consumption;
- properties where LeasePlan UK Limited is indirectly responsible for utilities (i.e. via a landlord or service charge), using a calculated kWh/FTE average;
- volume of electricity used to charge plug-in hybrid company cars on site due to unavailability of sub-metered data, equating to 2.24% of the overall tCO2e reported.

Employee involvement

At LeasePlan, we are committed to create an environment in which all individuals can reach their full potential by ensuring that everyone gets the development they need. Everybody should be given the opportunity to succeed in their role and contribute to the success of LeasePlan.

Through our Talent Management and Succession Planning processes we aim to have the right talent at the right place at the right time whilst at the same time balancing business needs with individual employee aspirations.

We use the Korn Ferry methodology to identify our talent and develop them for future opportunities. We also challenge each employee to stretch themselves through objectives set every 6 months.

We currently run several development programmes, including SHINE – our entry-level management development programme and ASPIRE – our senior leadership development programmes and Essential Leadership Skills programme for existing team managers.

As part of our strategy to establish a growth culture within LeasePlan over the past few years we have launched two learning solutions to all LeasePlan employees: Workday Learning and LinkedIn Learning. Workday Learning is our central Learning Platform where employees find all available learning within LeasePlan. The learning offering ranges from classroom courses, webinars, e-learning and on the job assignments. LinkedIn Learning offers thousands video-based learning courses in Workday Learning. It is an on-demand learning solution designed to help employees gain new skills and advance their careers.

Employee engagement

Employee engagement is vitally important to LeasePlan, and there is a long history of prioritising employee engagement activity across LeasePlan UK.

Using a quarterly all-employee Pulse survey, LeasePlan have continued to track our employee Net Promoter Score (eNPS) for the past five years.

During 2021, as pandemic restrictions both eased and contracted throughout the year, LeasePlan continued to receive excellent feedback from their employees, as LeasePlan adapted to ever-changing circumstances. In fact, consolidating on our already impressive scores in 2020, LeasePlan achieved an average across our four surveys of +37.8 for 2021, and also achieved what were at the time LeasePlans two highest-ever individual quarterly scores (since exceeded again in Q1 2022).

The quarterly Pulse surveys also include a qualitative section where employees can make comments on how they are currently feeling about our products and working at the company. These verbatim comments are shared among the Managing Board for consideration.

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

LeasePlan have continued to train up colleagues to join the cohort of 10 Mental Health First Aiders (“MHFA’s”). They provide a confidential service of first line mental health support to employees, as well as direction to the most appropriate next level of resource for employees and their families.

Having a comprehensive Health and Wellbeing plan in place has helped ensure that LeasePlan continue to support colleagues mentally, physically and financially.

Continuing ongoing provision of support from LeasePlans MHFA’s was enhanced in 2021 by a company-wide series of employee-led workshops designed to improve colleagues’ resilience.

In spring 2022 LeasePlan was once again awarded Investors in People’s (IiP) Gold accreditation. This latest three-year award means that, by 2025, LPUK will have been an IiP Gold employer for an incredible 15 consecutive years.

Retaining our Gold IiP status is very important to us at LeasePlan. It means that LeasePlan are recognised externally for the quality of our people, and the investment LeasePlan puts into them and their development.

LeasePlans internal “Your Voice” forums, which act as significant drivers of local engagement activity within their divisions, have grown from strength to strength. The valuable work undertaken by our cross-divisional Employee Dialogue Group (EDG) has fed into several aspects of our work this past year, most significantly around the extensive renovation of our offices, the majority of which was concluded by the end of 2021.

In addition, the EDG’s also now have a remit, via the Head of Employee and Community Engagement, to support the newly formed Environmental Management Committee, launched in 2021.

Additionally, in 2021 LeasePlan launched a UK-wide Diversity, Equality + Inclusion (DE+I) network, with the target of publishing and implementing a comprehensive DE+I Strategy in 2022. The network’s members promote internal awareness of DE+I issues and is a welcoming home for both members of minority communities and their allies. This work is in support of a global LeasePlan initiative launched in 2021, aimed at significantly increasing our efforts in this area.

LeasePlan continues to support the official charity partner, mental health charity Mind.

LeasePlan entered into a partnership with them in 2020 (now extended into 2022) where fundraising efforts are boosted by their insight, campaign activity, and dedicated support.

LeasePlan has raised thousands of pounds for them from the proceeds of the disposal of much of our old IT equipment during the office renovation. Furthermore, furniture that is no longer needed was donated to community groups around the Slough area, through our ongoing membership of the Slough Business Community Partnership.

Employees’ interests

Our employees are critical to the continued growth and success of LeasePlan UK Limited. The Company is thus committed to creating an environment of inclusion, where all our employees can reach their full potential.

Talent Management and Success Planning processes balance the Company’s business needs with individual employee aspirations in order to ensure that we have the right talent, at the right place, at the right time. This includes the promotion of an inclusive hiring policy, further detailed within the “employment of disabled persons” and the “diversity” sections of the Strategic Report. The overall employee development strategy is developed upon within the “employee involvement” portion of the Strategic Report.

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

LeasePlan UK Limited ensures that employees' interests are taken into consideration and that all employees are kept informed of the developments in the Company's operations and strategy. The means employed by senior management to accomplish both aims are detailed within the "employee engagement" section of the Strategic Report. These include Employee Discussion Groups ("EDG") discussions, which enable employees to raise matters of concern to senior management, monthly divisional meetings and weekly all-employee briefings conducted by Board Members.

Employment of disabled persons

The LeasePlan group is committed to employment policies which follow best practice and are based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full and fair consideration to applications for employment from disabled persons. Appropriate arrangements are made for the continued employment, training, career development and promotion of disabled persons employed by the group. If employees become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Diversity and Inclusion

In 2021 we continued our work on diversity to ensure we provide equal opportunities to all current and potential future employees. In order to promote our inclusive culture, LeasePlan UK Limited focuses on:

- **Gender:** We promote an ongoing environment within which females are inspired to strive for a top position and lead, thus encouraging an increased balance. Our stakeholders also require promoting a balance in gender.
- **LGBTQIA+:** We encourage an environment within which everybody can be themselves at work, regardless of their orientation or self-identification.
- **Cultural diversity:** We stand against all forms of discrimination and racial bias and promote the inclusion of all employees.
- **Disability:** We promote the inclusion of all people, who are motivated to work and use their talent to contribute to society.

Corporate Social Responsibility

Our commitment to sustainability is a vital enabler of our overall strategy towards all stakeholder groups. We want to build a future-proof company that balances the needs of people, planet, and profit. Within this context, our sustainability strategy is based on three priority areas:

- *Shaping the future of low-emission mobility*
- *Strengthening our contribution to societal well-being*
- *Reducing our own environmental impact*

Climate change is the biggest challenge we face as a planet, and as road transport accounts for around 20% of global CO2 emissions, we're determined to play our part. That's why we support the goal of carbon neutrality by 2050. But we also think we can do better. We want to achieve zero tailpipe emissions from our entire funded fleet by 2030, starting with our employees' vehicles.

LeasePlan in the Community

LeasePlan UK's Community Day scheme allows all employees to take one day a year to help in the local communities, within which we are based. Due to the pandemic, we had not yet begun our series of annual employee community days before we went into lockdown/s. Therefore, the number of days delivered on this in 2021 was 0 (2020: 0). We hope to be able to partly restore some support for this initiative in 2022.

Company employees

The company had 500 employees as at 31 December 2021 (2020: 516).

LeasePlan UK Limited (registered number: 1397939)
Strategic Report for the Year Ended 31 December 2021 (continued)

Charitable donations

During the year, the company made charitable donations of £31,954 (2020: £41,192). Charitable donations were split between:

	£	£
BEN - Support for life	-	21,192
MIND	19,134	20,000
Thames Hospice Vehicle	12,620	-
Abbeyfield Pirbright & District	200	-
	<hr/>	<hr/>

Approved by the Board on 13 February 2023 and signed on its behalf by:


.....
R Cellier
Director

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021

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

Directors of the company

The directors who held office during the year, were as follows:

A Martinez

R Cellier

Business review

Fair review of the business

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Revenue	£m	1,132	1,035
Profit for the year	£m	29	81
Book value of vehicles under operating lease	£m	2,130	2,184
Finance lease receivables	£m	493	356
Total equity	£m	304	358
Number of vehicles in lease portfolio		187,377	186,341

Dividends

An interim dividend of £84 million (2020: £20 million) was recommended and approved by the Board of Directors in 2020. This dividend was paid to Inula Holding UK Limited, the parent entity, on 20 December 2021.

No other dividends were proposed or paid during the year.

Going concern

These financial statements have been prepared on a going-concern basis. This basis of preparation was agreed upon following a detailed assessment of the Company's ability to continue as a going-concern for a period of at least 12 months from the date of approval of the financial statements ("the going-concern period").

LeasePlan UK Limited's business environment was significantly disrupted in 2020 by the Coronavirus Health Crisis, the emerging global semi-conductor shortage and Brexit and associated trading agreements. The Company continued to be affected by the pandemic and semi-conductor shortage in 2021, and indeed into 2022. Additionally, the war and rise in energy prices continue to provide strain on the fleet. The established risk function and dedicated teams continue to closely monitor developments on all three events, as well as potential new effects, to ensure that LeasePlan UK Limited can respond to changes in its business environment.

Thanks to a multi-year cycle, LeasePlan UK Limited has a built-in resilience to short-and-medium-term external shocks. This resilience is reinforced by the Company's access to funding, particularly from the ultimate parent undertaking, LeasePlan Corporation N.V., which has confirmed its intention not to withdraw any funding facility in the foreseeable future. Further sources of funding include the sale of securitised assets through the Bumper programme, uncommitted bank loans and a short-term overdraft facility.

In assessing the Company's ability to continue trading, management have prepared cashflow forecasts for a period of at least 12 months from the date of approval of these financial statements. These scenarios demonstrate that, even when considering severe but plausible downside scenarios and applying a range of sensitivities for analysis, LeasePlan UK Limited will have sufficient funds to meet its liabilities as they fall due. The forecasts were prepared under a base case, upon which several scenarios were applied.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

- The base case scenario assumes a continuation of the historic trend in residual value of vehicles and of operations, with a marginal 2.7% fleet increase. Under these assumptions, the net cash position would remain materially unchanged, with £1 billion vehicle additions made in the forecast period and offset by the lease receivable income streams.
- The severe, but plausible, downside scenarios included a heightened default rate of £3.9 million over the course of the forecasted period and a reduction in the sales proceeds on cars due to the impacts of the pandemic. Despite these assumptions, LeasePlan UK Limited would be able to maintain its cash flow position by generating cash from its existing lease arrangements, making use of available funding facilities and, if required, a small reduction in new fleet additions.

As per the nature of its business model, LeasePlan UK Limited incurs a significant cash outflow upon the purchase and addition of a new vehicle to the fleet, which is subsequently recovered over the period of the lease. Reducing the new fleet additions would thus create a significant reduction in the short-term cash requirements and outflows of the business. In the event of an extreme downturn beyond the forecast scenarios, LeasePlan UK Limited could thus reduce, or even temporarily halt, the cash outflow on new vehicles and focus on cash collection activities from its pre-existing multi-year fleet.

Given the availability of funding and the Company's ability to flex operational performance to offset downside risks, the directors do not believe that a material uncertainty exists regarding the ability of the Company to continue as a going-concern or its ability to continue within the current funding arrangements provided by the ultimate parent undertaking and has delivered a profitable 2022. LeasePlan UK Limited therefore continues to adopt the going-concern basis in preparing its financial statements.

Corporate governance

Corporate governance arrangements are in place at LeasePlan Corporation N.V., the Company's ultimate parent. These serve as a foundation and framework to LeasePlan UK Limited's own regularly reviewed corporate governance, elaborated in compliance with the Companies (Miscellaneous Reporting) Regulations 2018.

Lines of defence

The Corporate Governance Framework is based on the three lines of defence model. These three lines of defence underpin the governing body, which bears the ultimate responsibility for ensuring that Corporate Governance arrangements within LeasePlan UK Limited are sufficient and appropriate. The Board of Directors is supported by the various local management committees described below.

The first line of defence is composed of the control activities carried by business line management, largely as part of controls embedded within day-to-day processes. These activities are overseen by the LeasePlan UK Limited Managing Board.

The second line of defence is entirely internal to LeasePlan UK Limited. It challenges and monitors the activities of the first line of defence. The Legal, Privacy, Compliance and Risk functions, including the Information Security and Internal Control, are the key members of this second line of defence.

The third line of defence are bodies that provide independent and objective assurance of the effectiveness of the firm's systems of internal control established by the first and second lines of defence. These bodies can be either internal to the LeasePlan group of companies, such as the Group Audit function, or external.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

Board Leadership and Company Purpose

LeasePlan UK Limited's stated vision is to provide an "any car, any time, anywhere" service, via the provision of flexible, digital-led vehicle leasing solutions and excellent customer experience.

The Board of Directors is the governing body of LeasePlan UK Limited and is entrusted with the delivery of this vision. Its members are the directors of the company's key functions. The Board is chaired by the Managing Director.

The directors have a diverse and balanced mix of knowledge, skills and expertise, in-line with the required profiles. As a result, they each bring with them a wealth of expertise and their own background and exposure to the operations and wider business of LeasePlan UK Limited.

LeasePlan UK Limited's Board of Directors reviews the Corporate Governance Framework annually and meets monthly to discuss:

- Implementing the overall strategy and development
- Achieving the strategic and operational objectives
- Supporting and supervising local management
- Considering and proposing inherent risks for approval by LeasePlan Corporation N.V.
- Formulating the Company's risk appetite, in-line with the wider Corporate Governance arrangements of LeasePlan Corporation N.V.
- Oversight of the risk owners' systems and ensuring that they monitor and report compliance with risk appetite
- Promoting knowledge transfer within business functions and the wider Company
- Co-ordinating the activities in areas with more than one business unit.

The Board of Directors reports to LeasePlan Corporation N.V., whose Supervisory Board is the ultimate governing body of the LeasePlan group of companies.

Division of Responsibilities

In performing its duties, the Board of Directors is supported by eight local committees: the committee of management, the customer quality council, the entity risk committee, the entity tactical risk committee, the pricing committee, the remuneration committee, the RV & SMR ("Residual Value & Service, Maintenance and Repair") determination council and the tax committee.

Committee of management

The committee of management is chaired by the Managing Director and meets monthly. It is the formal oversight managing board of LeasePlan UK Limited and is responsible for:

- Reviewing and confirming approval of the minutes of any local management committee or council meetings held since its own last meeting
- Ratifying decisions, expenditure and business cases from each Board sponsor in the past month.

Customer quality council

The Customer Quality Council is chaired by the Customer Service & Quality Director and meets monthly. The council is responsible for:

- Reviewing adherence to Financial Conduct Authority (FCA) guidelines & FCA reporting
- Improving of customer and driver satisfaction
- Reviewing the complaint process to ensure complaints are effectively dealt with across the organisation and that analysis of issues and nonconformities is undertaken.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

Entity risk committee

The Entity Risk Committee is chaired by the Managing Director and meets quarterly. The committee:

- Sets the risk appetite of the company
- Ensures local execution is in-line with risk appetite and relevant policies and procedures
- Monitors and manages risk within LeasePlan UK Limited
- Ensures appropriate risk awareness levels at all levels of the organisation.

Entity tactical risk committee

The Entity Tactical Risk Committee is chaired by the Entity Risk Director and meets monthly. The committee is the monthly equivalent of the entity risk committee and focuses on:

- Monitoring and managing risks on a monthly basis
- Handling the transactional element of risk management, such as incidents, reports, credit proposals, collections strategies and self-assessments.

Pricing Council

The Pricing Council is jointly chaired by the Finance Director and the Commercial Director. It meets annually. The council's responsibilities are to:

- Review and agree the LeasePlan UK Limited pricing policy
- Review the delegation of authority
- Review the deal profitability model.

Remuneration Committee

The Remuneration Committee is chaired by the Managing Director and meets quarterly. The committee is responsible for:

- Carrying out the annual review of salary payments and company's incentive scheme
- Recommending the level and structure of remuneration for senior management
- Reviewing the company's reward policy, in conjunction with LeasePlan Corporation N.V. reward policy

The reward policy applicable to LeasePlan UK Limited and the wider role of the remuneration committee are in-line with the policies and scope defined by LeasePlan Corporation N.V., the entity's ultimate parent.

Salaries for new hires at all levels are set in line with the market rate. Employer pension contributions are set at the same level for all employees after their completion of the probation period, during which employer contributions are made at the required 6% rate. Employees' remuneration, including base salary, is reviewed annually, with special provision for large pay rises.

RV & SMR Determination Council

The RV & SMR Determination Council is chaired by the Managing Director and meets quarterly. It is responsible for reviewing:

- The key points in the RV & SMR setting process
- The SMR market forecast
- Used car market forecast
- RV & SMR methodology and controls

Tax Committee

The Tax Committee is chaired by the Finance Director and meets quarterly. It focuses on:

- Defining and maintain the Company's tax policy and tax governance framework

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

- Certifying the appropriateness of tax accounting arrangements to HMRC

Principal risk and uncertainties

The directors of LeasePlan UK Limited recognise nine main risk areas, which are aligned with those set out by the ultimate parent, LeasePlan Corporation N.V, adapted at the local entity level. These nine risk areas can be broadly divided into two categories: financial and non-financial risks.

Financial risks:

- Asset risk
- Credit risk
- Treasury risk, including risks related to liquidity, interest rate and currency

Non-financial risks:

- Operational risk
- Information risk
- Strategic risk
- Reputational risk
- Compliance risk
- Legal risk

Asset risk

Asset risk is defined as the combination of residual value (RV) risks and risks on RMT services. Residual value risk is considered the main risk and is defined as the Group's exposure to potential losses due to the resale value of assets declining below the estimates made at lease inception minus risk mitigation.

The RV & SMR Determination Council, chaired by the Managing Director, is responsible for reviewing the Company's exposure to asset risk. Technical valuation and price setting of vehicles and repair, maintenance and tyre replacement (RMT) is the purview of the Pricing Council, with the technical pricing retrospectively signed off by the RV & SMR Determination Council. Further details on both committees are included within the Corporate Governance disclosure.

The asset risk profile and exposure of the Company's portfolio is monitored throughout the term of the lease contracts: starting at lease inception, following it through its term up to lease termination. Measuring the asset risk position over the life of the lease contracts enables tracing developments in the various asset risk components and identifying adverse trends, as well as ensuring that the risk position remains within the Company's risk appetite. On a quarterly basis, the Company assesses its exposure to asset risk and evaluates the outcomes against its risk appetite.

2021 saw the continuation of rising used vehicle prices, which began during the second half of 2020, leading to a strong performance throughout the period. Overall market conditions suffered due to the reduced supply of new vehicles because of supply chain disruptions from the impacts of the Coronavirus Health Crisis, and semi-conductors shortages, coupled with the continuation of strong demand for used vehicles. Year-on-year and like-for-like, average used LCV prices were up 16.7% in December 2021 compared to 2020. Average used car prices also saw significant growth of 22.0% compared to December 2020.

As challenges in the supply chain for new vehicles persisted, the vehicles sent to market were on average older than in prior years, denoting an extended lifecycle as a result of lengthening lead times on replacement new vehicles. This trend was visible amongst the Company's fleet, with significant growth in the observed levels of both formal and informal extensions.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

The observed trend on lengthening vehicle lifecycles has continued into 2022 for both cars and LCVs, and the market has begun to soften compared to the peaks experienced in 2021, but remain strong compared to historic averages.

Credit risk

As a result of its normal business activities, LeasePlan UK Limited is exposed to credit risk, which is the risk that a counterparty will not be able to fulfil its financial obligations when due. Within LeasePlan UK Limited, this credit risk mainly relates to lease receivables from clients, with lesser dependencies on its investments in SPVs such as the Bumper programmes. These consist of trade receivables and amounts receivable under finance lease contracts. For amounts receivable under finance lease contracts, credit risk is mitigated materially by the underlying value of the available collateral (i.e.: leased vehicle).

The Company's credit risk is primarily attributable to its receivables from customers. The maximum credit risk at 31 December 2021 approximates to the carrying value of receivables from customers (note 18). There are no significant concentrations of credit risk due to the large number of customers.

The Company's definition of default is aligned with the regulatory definition. From 2021, a customer is deemed in default when either on or both of the following events occur:

- LeasePlan UK Limited considers the customer unlikely to pay (UTP) and/or
- The customer is past due more than 90 consecutive days on any material credit obligation

For its credit risk management, LeasePlan UK Limited distinguishes between corporate clients, retail clients, governments, banks and others. In this respect, retail clients are from a regulatory point of view defined as small and medium entities (SMEs) and private households. Except for retail clients, which are assessed whenever a credit application is received, the credit risk of all counterparties is assessed at least once a year. For corporate counterparties, all entities of the LeasePlan group follow an internal system, segmented into 14 non-default rating classes reflecting the range of default probabilities defined for each rating class. For government, bank and other retail customers' counterparty exposures, the Group does not use internal models, but relies on external ratings.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1: For financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month expected credit losses (ECL).
- Stage 2: For financial instruments, where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.
- Stage 3: For credit-impaired financial instruments, the company recognises the lifetime ECL.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- Debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- Other financial instruments on which the credit risk has not increased significantly since their initial recognition.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

LeasePlan UK Limited continues to hold a strong portfolio of customers with low default levels. Pre-existing efforts to maintain high performance and low debt position continued throughout 2021, driven both locally and through group initiatives coming from LeasePlan Corporation. Strong oversight is maintained via the performance of both accurate performance management and regular audits.

The Company continues to outsource some debt sectors as part of its debt management strategy. Additionally, an ongoing project to upgrade the systems used for collections continued throughout 2021, culminating in the implementation of iController in June 2021. Customer defaults remained comparatively low throughout the year.

Treasury risk

Treasury risk consists of three individual risks, being liquidity risk, interest rate risk and currency risk. Liquidity risk is the risk that the Company is not able to meet its obligations for (re) payments. Interest rate risk is the risk that the profitability and shareholders' equity of LeasePlan UK Limited are affected by movements in interest rates. Currency risk is the risk that currency fluctuations have an adverse impact on the Company's capital ratios, result and shareholders' equity.

Liquidity risk: LeasePlan UK Limited deems its exposure to liquidity risk to be low. This assessment is based on the funding facility provided to it by its ultimate parent, LeasePlan Corporation N.V., combined with an overdraft facility at Lloyds Bank. Combined, these provide the Company with sufficient cashflow to continue operating for the foreseeable future. Furthermore, as detailed within the going-concern disclosure, the Company would be able to self-fund by reducing its fleet growth, should any issues arise with the guaranteed existing funding facilities.

Interest rate risk: LeasePlan UK Limited accepts and offers lease contracts to clients at both fixed and floating interest rates, for various durations. The interest rate risk policy is set to match the interest rate risk profile of the lease contract portfolio with a corresponding interest rate funding profile to minimise the interest rate risk. The Company carries interest-bearing assets on its balance sheet, which are funded by interest-bearing liabilities - particularly in the form of intercompany loans.

Currency risk: LeasePlan UK Limited conducts the majority of its business operations in its functional currency, the British pound sterling (GBP). Transactions in foreign currencies, mainly Euro (EUR), occur with other entities of the LeasePlan Group. While no hedging operations are conducted at the entity level, the Company seeks to deposit significant EUR receipts in a currency account to be used against future EUR payments in order to reduce exposure to transactional risk.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

Operational risk

Operational risk within LeasePlan UK Limited involves the risk of a positive, negative or potential loss resulting from inadequate or failed internal processes, human behaviour, and systems or external incidents. Business continuity risk, financial reporting risk, model risk, and human resources risk are also classified as operational risk categories. Some of the risk categories have separate policies and standards. Operational risk is part of *Non-Finance Risk Management within LeasePlan*.

A dedicated team within the risk department, overseen by a Board member, is responsible for managing the operational risks affecting the Company. Their remit includes ensuring compliance with LeasePlan UK Limited's internal policy, as well as the reporting requirements and expectations of the wider LeasePlan Group. From 2021, the operational risk team is assisted in its efforts by the Risk Champions, individuals nominated within each team to ensure that the first line is both aware of and compliant with internal policies and expectations.

The overall impact of the mitigating activities implemented at all levels is assessed by analysing the frequency and impact of operational losses prior to and after implementation of the additional controls. A process is in-place to ensure that mitigating measures are implemented within the agreed timelines. Based on the Company's risk profile, experience and appetite, insurance coverage is in-place for the main impact, low likelihood events that are inherent to the environment LeasePlan UK Limited is operating in. Current insurance policies are typically contracted by the ultimate parent, with participation by LeasePlan UK Limited.

Information risk

Information risk is the risk of breaching confidentiality, integrity or availability of information, due to human error or misbehaviour, inadequate processes or failing technology, leading to losses, financial misstatements, reputational damage or regulatory sanctions.

The first line, as detailed within the Corporate Governance section, is responsible for the implementation of policies and standards. The second line represented by the Information Security Officer (ISOs) supports secure implementation, facilitate risk management processes and challenge first line decisions. The ISOs are supported by the Information Risk Management and Non-Financial Risk Management functions present within the ultimate parent's organisation.

There is a regular control test cycle, where the key control for information risks are tested on design and operating effectiveness. This process is further reinforced by the quarterly reporting on Key Risk Indicators to the aforementioned parent functions. Quantification of risks is based on a standardised business impact reference table, which also includes qualifiers for impact that are more difficult to measure in terms of monetary value.

During the reporting year, there have been no significant or material information risk incidents.

Strategic risk

The risk function performs regular exercises in the identification and assessment of risks that the Company is exposed to. This process considers the current business, external trends and emerging developments, as well as the impact of these risks on the foreseeable future. Although the future impact and development of many of the long-term forces affecting the Company cannot as yet be quantified, focused actions are taken to prepare the company for the future.

Within each division of the company, the first line is responsible for creating detailed business continuity plans, which are reviewed and approved by both the dedicated Board member and the Risk function before being implemented. This exercise is performed annually or as fluctuations in the Company and the environment require it.

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

Reputational risk

Reputational risk is defined as the current or prospective risk to earnings, liquidity and/or capital arising from an adverse perception of the image of LeasePlan UK Limited or the wider LeasePlan group on the part of current or prospective employees, clients, counterparties, shareholders, investors/media and regulators. It is a risk which is a derivative of possible exposures in other risk areas.

Compliance risk

Compliance risk is the threat posed to a company's financial, organisational or reputational standing resulting from violations of laws, regulations, codes of conduct, or organisational standards of practice. LeasePlan UK Limited applies a structured approach to meet the needs of its customers, suppliers, employees, and other stakeholders, as well as all applicable legal and regulatory obligations. The Company seeks to abide by high ethical standards to give its stakeholders the confidence to work with LeasePlan.

Specific objectives of its privacy and compliance efforts include:

- Employees: all employees uphold high standards of integrity and business ethics
- Products & services: to meet market demand, compliance with all relevant laws and regulations, and applying a duty of care
- Counterparties: LeasePlan UK Limited engages in business with relations that maintain high standards of integrity
- Organisation: conduct business with honesty and trust, respect for the law, human rights, privacy and data protection and corporate social responsibility

These efforts are embodied by the Local Compliance Officer (LCO), Local Privacy Office (LPO) and Local Anti-Money Laundering Officer (AML). They seek to safeguard LeasePlan UK Limited's integrity and reputation, protecting it against financial loss and reputational damage, and thereby also protect the interests of customers, drivers, suppliers and employees. Other key activities include:

- Supporting LeasePlan to ensure a proper control environment is in place for complying with applicable laws, rules, regulations and internal standards
- Helping prepare LeasePlan for emerging trends and new requirements
- Supporting the business with managing day-to-day compliance risks
- Serving as trusted business partners and supporting the full integration and digitisation of privacy and compliance in daily business activities and strategic planning
- Setting measurable quality goals for each project, product and process and ensuring privacy and compliance by design is embedded by default within business processes
- Using automation and artificial intelligence to proactively detect, prevent and monitor privacy and compliance threats and risks

Legal risk

The legal department is a strategic partner for the entire Company and enables internal stakeholders to make informed business, corporate and strategic decisions. It is closely aligned to them and jointly mitigates legal risks.

To ensure legal risks for LeasePlan UK Limited are sufficiently addressed and key stakeholders are adequately supported, Legal is focused on the following areas:

- Commercial contracting, by supporting in dealings with clients and partners. This includes assisting in the onboarding of new customers and leasing partners and renewing existing contracts
- Competition, by providing day-to-day advice, trainings and reminders to support the business teams with fair competition

LeasePlan UK Limited (registered number: 1397939)
Directors' Report for the Year Ended 31 December 2021 (continued)

- Employment services, including employee representation and related business decisions
- Digital and indirect procurement programmes
- Supporting on strategic projects

Directors' liabilities

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

Disclosure of information to the auditor

Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

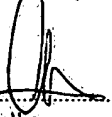
Reappointment of auditors

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 7 and 8.

Approved by the Board on 13 February 2023 and signed on its behalf by:


.....
R Cellier
Director

LeasePlan UK Limited (registered number: 1397939)
Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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 company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEASEPLAN UK LIMITED

Opinion

We have audited the financial statements of LeasePlan UK Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and related notes.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks"), we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- Reading Board and other committee minutes in order to evaluate risk of fraud and plan audit procedures to respond to actual or suspected fraud risks; and

- Using analytical procedures to identify any unusual or unexpected relationships including any transactions not consistent with our understanding of the Company and the industry it operates.

We communicated identified fraud risks to the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as assessment of impairment and prospective depreciation of the lease portfolio. We do not believe there is a fraud risk related to revenue recognition on this audit as there is lack of opportunity for management to manipulate revenue recognition due to lease income being recognised in a systematic manner over time and vehicle disposals being performed through third party auction providers.

We also identified a fraud risk related to valuation of operating lease contracts on account of judgements in estimating the residual value of the underlying vehicle.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Company wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted and approved by the same individual, journals made to unrelated accounts or containing key words and manual journals posted to specific accounts; and
- Tests of details over relevant data inputs to the calculation of residual values, impairment and prospective depreciation, using appropriate sampling methodology.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management as required by auditing standards, and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 24, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Matthew Rowell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

13 February 2023

LeasePlan UK Limited (registered number: 1397939)
Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	1,132,305	1,034,917
Cost of revenues	5	(1,005,831)	(845,447)
(Recovery)/Impairment charges on loans and receivables	6	10,915	(15,892)
Unrealised gain on financial instruments		<u>292</u>	<u>2,584</u>
Gross Profit		<u>137,681</u>	<u>176,162</u>
Total operating income		<u>137,681</u>	<u>176,162</u>
Staff expenses	8	(36,650)	(37,148)
Administrative expenses		(56,686)	(32,013)
Depreciation, amortisation and loss on disposal of other property and equipment	14, 12	<u>(2,719)</u>	<u>(5,772)</u>
Total operating expenses		<u>(96,055)</u>	<u>(74,933)</u>
Profit before tax		41,626	101,229
Tax on profit on ordinary activities	11	<u>(12,181)</u>	<u>(20,501)</u>
Profit for the year		<u>29,445</u>	<u>80,728</u>
		2021	2020
		£ 000	£ 000
Total comprehensive income for the year		<u>29,445</u>	<u>80,728</u>

The above results were derived from continuing operations, and the Company had no other income or expenses for the year ended 31 December and 31 December 2020. Therefore no separate Statement of Other Comprehensive Income has been prepared.

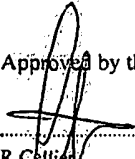
**LeasePlan UK Limited (registered number: 1397939)-
Statement of Financial Position as at 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Non-current assets			
Intangible assets	12	2,657	4,251
Investments	28	150,000	-
Deferred tax assets	11	20,067	5,331
Property and equipment under operating lease	13	2,129,669	2,184,472
Other property and equipment	14	8,275	7,633
Assets for short term rental	15	25,888	24,282
Receivables from customers	18	397,314	260,335
Other receivables and prepayments	17	5,009	25,059
		<u>2,738,879</u>	<u>2,511,363</u>
Current assets			
Inventories	16	29,559	71,580
Other receivables and prepayments	17	85,996	67,257
Cash and cash equivalents	19	-	248
Receivables from customers	18	141,232	136,220
Derivative financial instruments	27	250	-
		<u>257,037</u>	<u>275,305</u>
Total assets		<u>2,995,916</u>	<u>2,786,668</u>
Equity			
Share capital	20	14,500	14,500
Profit and loss account		<u>289,270</u>	<u>343,825</u>
		<u>303,770</u>	<u>358,325</u>
Non-current liabilities			
Long term lease liabilities	22	7,640	8,076
Loans and borrowings	21	1,529,609	1,079,847
Provisions	23	647	983
Other non-current financial liabilities		<u>2,548</u>	<u>998</u>
		<u>1,540,444</u>	<u>1,089,904</u>
Current liabilities			
Current portion of long term lease liabilities	22	1,323	1,442
Trade and other payables	24	273,840	298,964
Loans and borrowings	21	857,539	1,022,005
Income tax liability	11	10,731	6,287
Provisions	23	1,533	3,005
Derivative financial instruments	27	6,736	6,736
		<u>1,151,702</u>	<u>1,338,439</u>
Total liabilities		<u>2,692,146</u>	<u>2,428,343</u>
Total equity and liabilities		<u>2,995,916</u>	<u>2,786,668</u>

The notes on pages 33 to 75 form an integral part of these financial statements.

**LeasePlan UK Limited (registered number: 1397939)-
Statement of Financial Position as at 31 December 2021 (continued)**

Approved by the Board on 13 February 2023 and signed on its behalf by:



.....
R Cellier
Director

LeasePlan UK Limited (registered number: 1397939)
Statement of Changes in Equity for the Year Ended 31 December 2021

	Share Capital £000	Retained Earnings £000	Total £ 000
At 1 January 2021	14,500	343,825	358,325
Profit and total comprehensive income	-	29,445	29,445
Dividends	-	(84,000)	(84,000)
At 31 December 2021	<u>14,500</u>	<u>289,270</u>	<u>303,770</u>

	Share Capital £ 000	Retained Earnings £ 000	Total £ 000
At 1 January 2020	14,500	283,097	297,597
Profit and total comprehensive income	-	80,728	80,728
Dividends	-	(20,000)	(20,000)
At 31 December 2020	<u>14,500</u>	<u>343,825</u>	<u>358,325</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated and domiciled in England.

The address of its registered office is:

165 Bath Road
Slough
Berkshire
SL1 4AA

These financial statements were authorised for issue by the Board on 13 February 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

These financial statements are presented in 'pounds sterling', which is the company's functional and presentational currency. Financial information presented in sterling has been rounded to the nearest thousand, unless otherwise indicated.

Summary of disclosure exemption

These financial statements have been prepared under UK GAAP, applying FRS 101 "Reduced Disclosure Framework" as LeasePlan UK Limited is a qualifying entity. As a result, the Company applies the recognition, measurement and disclosure requirements per UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006. The accounting policies set out within this note have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The available FRS101 disclosure exemptions used in preparing these financial statements are listed below:

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

- **IAS 1 “Presentation of Financial Statements”:** Exemption from providing comparative movement schedules for share capital, intangible assets, investment properties and property, plant and equipment (including those under operating leases and short-term asset rentals), as well as presenting comparative information for narrative disclosures and information going beyond the disclosure requirements of IFRS standards.
- **IAS 1 “Presentation of Financial Statements”:** Exemption from presenting a statement of cash flows, from making an explicit and unreserved statement of compliance with IFRS standards and from the capital management disclosure requirements of the standard.
- **IAS 7 “Cash Flow Statement”:** Complete exemption from preparing a cash flow statement and the related notes
- **IAS 8 “Accounting policies, changes in accounting estimates and errors”:** Exemption from the disclosure of new or revised IFRSs that have not been amended, as well as the disclosure of their likely impact
- **IAS 24 “Related Party Disclosures”:** Disclosure exemption for related party transactions entered into between two or more members of a group that are fully owned subsidiaries of a common ultimate parent.
- **IAS 24 “Related Party Disclosure”:** Exemption from disclosure of compensation for key management personnel
- **IAS 36 “Impairment of Assets”:** Available exemptions from disclosures at the cash generating unit level, including as it pertains to assumptions and sensitivity analysis.
- **IFRS 2 “Share Based Payments”:** Exemption relating to group-settled share based payments
- **IFRS 7 “Financial Instruments”:** Complete exemption of the disclosures mandated by the standard, other than where required to comply with legal requirements
- **IFRS 13 “Fair value measurement”:** Complete exemption of the disclosures mandated by the standard, other than where required to comply with legal requirements
- **IFRS 15 “Revenue from contracts with customers”:** Partial exemption from the new disclosure requirements set out by the standard.
- **IFRS 16 “Leases”:** Partial exemption from the detailed disclosure requirements as they pertain to both lessees and lessors

Taking up these disclosure exemptions is made possible by the inclusion of equivalent disclosures within the consolidated financial statements of LeasePlan Corporation N.V., the ultimate parent of LeasePlan UK Limited. A copy of the consolidated financial statements of LeasePlan Corporation N.V., prepared under IFRSs as adopted by the EU, can be obtained from the aforementioned entity’s registered office: Gustav Mahlerlaan 360, 1082 ME Amsterdam, The Netherlands.

Going concern

These financial statements have been prepared on a going-concern basis. This basis of preparation was agreed upon following a detailed assessment of the Company’s ability to continue as a going-concern for a period of at least 12 months from the date of approval of the financial statements (“the going-concern period”).

LeasePlan UK Limited’s business environment was significantly disrupted in 2020 by the Coronavirus Health Crisis, the emerging global semi-conductor shortage and Brexit and associated trading agreements. The Company continued to be affected by the pandemic and semi-conductor shortage in 2021 and into 2022. The established risk function and dedicated teams continue to closely monitor developments on all three events, as well as potential new effects, to ensure that LeasePlan UK Limited is able to respond to changes in its business environment.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Thanks to a multi-year cycle, LeasePlan UK Limited has a built-in resilience to short- and medium-term external shocks. This resilience is reinforced by the Company's access to funding, particularly from the ultimate parent undertaking, LeasePlan Corporation N.V., which has confirmed its intention not to withdraw any funding facility in the foreseeable future. Further sources of funding include the sale of securitised assets through the Bumper programme, uncommitted bank loans and a short-term overdraft facility.

In assessing the Company's ability to continue trading, management have prepared cashflow forecasts for a period of at least 12 months from the date of approval of these financial statements. These scenarios demonstrate that, even when taking into account severe but plausible downside scenarios and applying a range of sensitivities for analysis, LeasePlan UK Limited will have sufficient funds to meet its liabilities as they fall due. The forecasts were prepared under a base case, upon which several scenarios were applied.

- The base case scenario assumes a continuation of the historic trend in residual value of vehicles and of operations, with a marginal 2.7% fleet increase. Under these assumptions, the net cash position would remain materially unchanged, with £1 billion vehicle additions made in the forecast period and offset by the lease receivable income streams.

- The severe, but plausible, downside scenarios included a heightened default rate £3.9m over the course of the forecast period and a reduction of sales proceeds on cars due to the impacts of the pandemic. Despite these assumptions, LeasePlan UK Limited would be able to maintain its cash flow position by generating cash from its existing lease arrangements, making use of available funding facilities and, if required, a small reduction in new fleet additions.

As per the nature of its business model, LeasePlan UK Limited incurs a significant cash outflow upon the purchase and addition of a new vehicle to the fleet, which is subsequently recovered over the period of the lease. Reducing the new fleet additions would thus create a significant reduction in the short-term cash requirements and outflows of the business. In the event of an extreme downturn beyond the forecast scenarios, LeasePlan UK Limited could thus reduce, or even temporarily halt, the cash outflow on new vehicles and focus on cash collection activities from its pre-existing multi-year fleet.

Given the availability of funding and the Company's ability to flex operational performance to offset downside risks, the directors do not believe that a material uncertainty exists regarding the ability of the Company to continue as a going-concern or its ability to continue with the current funding arrangements provided by the ultimate parent undertaking. LeasePlan UK Limited therefore continues to adopt the going-concern basis in preparing its financial statements.

Downside scenarios have been considered, which assume a materially higher level of defaults than the base case (up to approximately 10% of revenue) and, separately, a significant reduction (-20%) in the value of used vehicles in 2021. The reduced cash inflow generated as a result of either scenario can be offset by reducing the number of new vehicle additions in 2022 by c.10-15%.

Given the availability of funding and the Company's ability to flex operational performance in order to offset downside risks, the directors do not believe that a material uncertainty exists regarding the ability of the Company to continue as a going concern or its ability to continue with the current funding arrangements provided by the ultimate parent undertaking. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Revenue recognition

The company earns revenue from the sale of vehicles from terminated lease contracts. Vehicle sales revenue is recognised when the vehicles are sold and the carrying value of terminated vehicles is disclosed separately within cost of revenues.

The company also earns revenue from the provision of services relating to lease rentals, interest income on operating leases, interest income on finance leases, lease services, management fees, rental, insurance income and other revenue.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Lease Rentals

Lease Rentals relate to the invoiced depreciation on operating leases which is recognised on a straight line basis over the lease term and bonuses received on purchase of vehicles. Bonuses received on purchases of vehicles for operating lease contracts are deducted from the purchase consideration and as such result in lower depreciation. Bonuses received on purchase of vehicles for finance lease contracts are recognised immediately in the statement of comprehensive income.

Commission expenses include incentive payments and commissions paid for the agreement of a lease are included in the purchase consideration of the asset as lease originating costs and are depreciated over the term of the contract in line with the recognition of the lease income.

Interest income and Interest expenses

Interest income on operating leases and finance leases relates to the interest earned on lease contracts.

Interest and similar income and interest expenses and similar charges for all interest bearing assets and liabilities are recognised in the statement of comprehensive income on an accruals basis. The effective interest rate is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate.

The interest income component in operating lease instalments is recognised on a straight-line basis and is reported as part of interest and similar income.

Interest income on finance lease contracts is recognised in the statement of comprehensive income on the basis of accruing interest income on the net investment (using the effective interest rate method). The receipts under the lease are allocated by the lessor between reducing the net investment and recognising interest income, so as to produce a constant rate of return on the net investment.

Lease services

Lease services income relates to invoiced turnover for lease services at risk. For all service categories the criterion is whether LeasePlan takes risk on these services resulting in economic benefits, as only in those circumstances does the income qualify as revenue.

Income related to repair and maintenance services is recognised over the term over the lease contract. The allocation of income over the term is based on the normal repair and maintenance cost profile supported by historical statistics and expected service costs. The difference between the amounts charged to clients and amounts recognised as income are accounted for as deferred leasing income. Cost profiles are reviewed periodically in order to ensure they remain a fair representation of historical repair and maintenance expenditures, adjusted for reasonable expectations of changes in cost profiles.

Lease instalments may include pass-through costs such as fuel, road taxes and other taxes. These are amounts collected on behalf of third parties and are therefore not presented as revenues. The margin and any bonuses earned in connection with pass-through costs are classified as Lease service expenses and are recognised during the period in which they are earned.

Management fees

Management fees relates to fees charged to customers for managing business assets (i.e. contract related and included in the monthly recurring lease instalment; there is no individual assignable cost in return). Management fees is recognised on a straight line basis over the lease term.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Rental

Rental relates to the income earned in relation to the short-term rental of vehicles and is recognised on a straight line basis over the lease term.

Insurance income

Insurance income relates to premiums charged to customers under insurance schemes, compensation received from external insurance companies, accident management fees, and any other insurance related income; which is recognised over the lifetime of contract. Insurance income is recognised net of the cost of the vehicle, but includes proceeds in relation to total thefts, as well as total loss objects (recovered loss of commercial value), which is recognised on receipt.

Other revenue

Other revenue relates to income which can not be included in the categories above, such as sale of driver kits and administration fees for processing customer fines and penalties. Driver kit revenue is recognised on a straight line basis over the lease term and all other revenue is recognised when the services are rendered.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period end date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing when the fair values were determined.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

The following significant exchange rates to the Company's sterling functional currency are illustrative of the rates applied during the current and prior year.

	<u>Average rate</u>		<u>Closing rate</u>	
	<u>Year ended</u>	<u>Year ended</u>	<u>Year ended</u>	<u>Year ended</u>
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
£1 GBP equivalent				
Euro	1.163	1.140	1.191	1.176

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Property and equipment under operating lease

Leases are disclosed in line with IFRS 16 "Leases", which was implemented by LeasePlan UK Limited on 1 January 2019.

Lessor accounting

Leases are measured at historical purchase cost, less accumulated depreciation and impairment losses. The cost of assets includes directly attributable incremental costs incurred in their acquisition. The assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

The leased assets are depreciated on a straight-line basis over their contract period to their residual value. The contract period ranges on average between 2 to 5 years.

Upon termination of the lease or rental contract, the relevant assets are reclassified to "Inventories" at book value.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Lessee accounting

Leases are measured at historical purchase cost, less accumulated depreciation and impairment losses. The cost of assets includes directly attributable incremental costs incurred in their acquisition. The assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Leases are recognised through a right-of-use asset, representing its right to use the underlying lease asset, and a corresponding lease liability representing its obligation to make lease payments.

The aforementioned right-of-use assets are initially measured at cost. Subsequent measurement is at cost less any accumulated depreciation and impairment losses over the contractual term. Right-of-use assets are adjusted for specific re-measurements of the lease liabilities.

These lease liabilities are initially measured at the present value of lease payments not yet paid as at the commencement date and are discounted using LeasePlan UK Limited's incremental borrowing rate. The resulting liability is subsequently increased by the interest accretion to the lease liability and decreased by lease payments made.

Remeasurements occur upon changes in future lease payments or changes in assessment of execution of certain extension or termination options in the contracts. Management of LeasePlan UK Limited applies professional judgement in determining the lease term of lease contracts that contain renewal options.

Depreciation charges and financial charges relating to operating lease expenses are disclosed within the Statement of Profit or Loss.

Exemption

LeasePlan UK Limited applies the recognition exemption pertaining to both short-term and low-value leases.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Assets for short term rental

Assets for short term rental contrary to property and equipment under operating lease, have no relationship between the duration of any customer contract and the economic useful life for assets under short-term rental. This is because the duration of rental agreements is often short (often less than 6 months) with the minimum term of 1 day. The assets are depreciated on a straight-line basis over 2 years to their residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

These rental contracts are valued at cost less accumulated depreciation less any accumulated impairment losses where the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from that asset.

Other property and equipment

Other property and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Subsequent expenditure on equipment is recognised in the carrying amount of the item only when it increases the future economic benefits embodied in the specific asset to which it relates and its costs can be measured reliably. All other expenditure is expensed when incurred.

Residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating income in the statement of comprehensive income during the year of disposal.

The costs of the day-to-day servicing of equipment are recognised as maintenance expenditures in the statement of comprehensive income as incurred.

Depreciation

The cost of equipment is depreciated to its estimated residual value and recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Asset class	Straight line depreciation
Furniture and fixtures	Over 5-10 years
Computer hardware	Over 3-5 years

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Intangible assets

Capitalised software relates to purchased software from third parties and to internally developed software for own use.

Expenditure on research activities undertaken to gain new technical knowledge and understanding is recognised in the statement of comprehensive income when incurred.

Expenditure on development of software is recognised as an asset when the company is able to demonstrate its intention and ability to complete the development and use of the software in a manner that will generate future economic benefits and can measure the costs to complete the development. The capitalised cost of internally developed software includes all costs directly attributable to developing software and is amortised over its useful life. Capitalised internally developed and externally purchased software are measured at cost less accumulated amortisation and any accumulated impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. When subsequent expenditure is capitalised, the carrying value of any replaced part is derecognised. All other expenditure is expensed when incurred.

Amortisation

Intangible assets are amortised and recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use.

The capitalised intangible assets have no estimated residual value. The estimated useful life for software is:

Asset class	Straight line amortisation
Computer software	Over 3-6 years

Investments

Investments in debt securities are classified on initial recognition at cost and subsequently measured at amortised cost using the effective interest method less any impairment losses. Transaction costs (including qualifying fees and commissions) are part of the amortised cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

An expected credit loss (ECL) is also recognised upon initial recognition of a financial asset and subsequently remeasured at each reporting date, as detailed in the dedicated note. For investment in debt securities, the Company applies the General Approach using the low credit risk assumption for its investments in bonds and notes. At each reporting date, the Company assesses the appropriateness of this exemption.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in bank.

Trade Receivables

Trade receivables includes lease instalments receivable from the finance and operating lease portfolios and receivables arising from other business activities. These receivable balances are shown after allowances for credit losses and are initially measured at fair value and subsequently at amortised cost using the effective interest rate method.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Other receivables and prepayments

For certain other receivables (Rebates and bonuses and Interest to be received) with a remaining term well below one year, the carrying value is deemed to reflect the fair value.

Inventories

Upon termination of the lease contract the relevant assets are reclassified from 'Property and equipment under operating lease' to 'Inventories' at book value, also known as vehicles from terminated lease contracts.

Inventories also include new vehicles, which are new cars not yet assigned to a specific lease contract. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the applicable variable selling expenses.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Financial liabilities are initially recognised at fair value incurred and are subsequently measured at amortised cost. Any difference between the proceeds (transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the financial liability using the effective interest method.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases contracts (as a lessor)

Classification

The lease classification is determined on a contract-by-contract basis, taking into consideration the substance of the transaction and the specific details of each leasing contract. The key factor is whether or not substantially all of the risks and rewards incidental to ownership are transferred and various criteria are used to determine the lease classification of which the two most important are:

- whether the lease term is for the major part the economic life of the asset; and
- whether the present value of minimum lease payments amounts to at least substantially all of the fair value of the asset.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Finance Lease portfolio

Leases where substantially all the risks and rewards of ownership of an asset are transferred to the lessee are classified as finance leases. The company as a lessor records a finance lease receivable at the amount of its net investment which equals the present value of the future minimum lease payments receivable (including any guaranteed residual value by the lessee) and the unguaranteed residual value accruing to the company, after any allowance for credit losses. The finance lease receivables are presented within 'Receivables from customers'.

The finance lease instalments comprise various components with each having its own revenue recognition criteria. The instalments are classified and presented in the following categories in the statement of comprehensive income: (i) finance income (the difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method) and (ii) lease revenues (to the extent that services are included in the lease).

Operating Lease portfolio

An operating lease is different from a finance lease and is classified as such if it does not transfer substantially all the risk and rewards of ownership. The company as a lessor presents the assets subject to operating leases in the statement of financial position according to the nature of the asset.

The carrying amount of property and equipment under operating lease and rental fleet is depreciated to its estimated residual value during the lease term or the useful life of the asset. The depreciation charge is recognised in the statement of profit or loss. Meanwhile, the instalments are classified and presented in the following categories in the statement of comprehensive income: (i) lease revenues and (ii) finance income (effective interest rate method).

The company leases assets to its customers for durations that normally range between 2-5 years. In almost all cases, the leased assets are returned to the company at the end of the contract term. In case of early termination, a settlement is invoiced to the customer, who bears part of the risk. There are two main types of operating lease products offered:

(a) Closed calculation contracts

Closed calculation contracts are typically leasing contracts whereby the client is charged a fixed fee for the use of the asset over a period of time. At the end of the lease, the asset is normally returned to LeasePlan UK Limited and then sold in the second-hand car market. In all cases, the overall risk on the result of the contract, both positive and negative, is borne by the Company.

(b) Open calculation contracts

Open calculation contracts are leasing contracts whereby the client, under particular circumstances, may share a portion of any positive upside resulting at the conclusion of the lease contract. Although the specifics of each contract can vary by client, in most cases, the result on service income and the sale of the leased asset at the end of the lease are combined and a net positive result is (partially) returned to the client. Most contracts contain certain requirements that the client must fulfil in order to receive the net positive result, such as maintaining a certain number of leased vehicles during the year or that a certain number of leased vehicles must be included in the calculation of the net result. Open calculation contracts are classified as operating leases based on the (negative) risks being borne by LeasePlan UK Limited.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Impairment of non-financial assets

(a) Impairment losses on leased assets and assets for own use

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

In the annual assessment of whether there is any indication that an asset may be impaired, the company considers both external as well as internal sources of information. If such indication for impairment exists, an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying value of the asset or cash generating unit under an operating lease exceeds the recoverable amount, being the higher of the fair value less costs to sell and its value in use. In most cases the fair value less costs to sell will not be relevant as the company is legally and contractually not able to sell the object or cash generating unit, as these vehicles are subject to an operating lease which can in general only be terminated upon the initiative of the lessee. The company will therefore base the conclusion on impairment in most cases on its value in use, which is determined as the present value of the future cash flows expected to be derived from the object or cash generating unit.

(b) Reversal of impairment

In respect of all other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Interim dividends are recognised as a distribution from retained earnings in the period in which they are paid.

Final dividends are recognised as a distribution from retained earnings in the period in which they are approved by the shareholders.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Share based payments

Selected managers of LeasePlan Corporation N.V. Group, ("Group") and LeasePlan UK Limited participate in the share capital of an indirect parent company of the Group. On realisation of an exit, the shares will be settled in cash by the acquirer. The Company or another group entity will under no circumstances be required to settle in cash. Accordingly, this arrangement is classified as an equity-settled share-based payment arrangement. The Company therefore determines the fair value of the shares at the grant date and recognises, if applicable, an expense for the services received over the service period with a corresponding increase in the equity of the Group.

The total amount to be expensed is determined by reference to the fair value of the awards granted; including the impact of any non-vesting conditions and market conditions. For this purpose, the Company analyses whether the price paid by a manager is in line with the market price of the shares acquired. If a positive difference exists between (i) the actual market value of the shares and (ii) the purchase price; this results in a fair value to be reported as a share-based payment expense. This analysis is performed at each grant date.

Service conditions and non-market performance conditions are taken into account in the number of awards expected to vest. At each reporting date, the Company revises its estimates of the number of awards that are expected to vest. The impact of the revision of vesting estimates, if any, is recognised in the income statement for the period.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Financial instruments

Initial recognition

The Company's main financial instruments comprise Cash and cash equivalents; Loans and borrowings; Interest rate swaps and credit compensation deals (derivatives); Investments in securitisation entities; Trade and finance lease receivables; and Trade and other payables.

Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Classification and subsequent measurement of financial assets is driven by the business model for managing the financial assets and the contractual cash flow characteristics of those financial assets.

Financial assets are subsequently measured at amortised cost and adjusted for any credit loss allowance, as they are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. The effect of discounting on trade and other receivables is not considered to be material.

Loans and borrowings and trade payables are subsequently measured at amortised cost with any interest cost calculated in accordance with the effective interest rate method.

Derivatives are subsequently measured at fair value through Profit or Loss ("FVTPL") as they are managed on a fair value basis in accordance with a documented strategy. The derivatives do not meet the SPPI criterion (solely payments of principal and interest) and accordingly are mandatorily measured at FVTPL under IFRS 9. The Company does not classify any derivatives as hedges in a hedging relationship.

Realised gains and losses arising on the derecognition of financial assets and liabilities are recognised in the period in which they arise.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a *modification gain or loss* in the statement of income.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises allowances for expected credit losses ("ECL") on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments;
- Accounts and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

A customer shall consider to be in default when either one or both of the following events occur:

- the Local LP entity considers the customer unlikely to pay ('UTP'), and / or
- the customer is past due more than 90 consecutive days on any material credit obligation ('90DPD').

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

LPUK's ECL model definition of SICR (significant increase in credit risk) is as follows:

Stage 1: 12-months expected credit losses This stage includes financial assets that have not had a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. For these financial assets, the expected credit losses that result from default events that are expected within 12 months after the reporting date are recognised.

Stage 2: Lifetime expected credit losses - not credit impaired. For credit exposures where there has been a significant increase in credit risk since initial recognition of the financial asset but that are not credit impaired, a lifetime expected credit loss is recognised. At each reporting date, it is assessed whether there has been a significant increase in credit risk for financial assets since initial recognition. Both quantitative and qualitative information is used to determine if there is a significant increase in credit risk based on the characteristics of the financial asset. Quantitative information could be a decrease in credit rating below investment grade. Qualitative information is obtained from the monitoring of existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the debtor's ability to meet its obligations towards the company. A backstop of 30 days past due as an automatic trigger for significant increase

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

in credit risk. The company has exposures to internal counterparties consisting of financial guarantees, loans to subsidiaries and loans to joint ventures entities. As the credit risk is highly dependent on the financial performance of the underlying lease portfolios, these credit risk exposures are monitored following qualitative factors in assessing the significant increase in credit risk:

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the entity's ability to meet its debt obligations towards LeasePlan; and
- An actual or expected significant (negative) change in the operating results of the entity.

In addition, the internal credit rating scale is used to apply quantitative factors in assessing whether there is a significant increase in credit risk. It is considered that the credit risk has increased if the internal credit rating has significantly deteriorated at the reporting date relative to the original internal rating. If a significant increase in credit risk is identified, this triggers in general a transfer for all instruments in scope held with this counterparty from stage 1 to 2.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Allowance for credit losses are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Credit-impaired financial assets

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Credit-impaired trade receivables

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of transactions over a period of 36 month before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the inflation, interest rate and the unemployment rate of the countries in which services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

LeasePlan UK Limited (*registered number: 1397939*)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include interest rate swaps.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In statement of financial position, derivative financial instruments with positive fair values ("unrealised gains") are included as assets and derivative financial instruments with negative fair values ("unrealised losses") are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Financial instruments

Initial recognition

The Company's main financial instruments comprise Cash and cash equivalents; Loans and borrowings; Interest rate swaps and credit compensation deals (derivatives); Investments in securitisation entities; Trade and finance lease receivables; and Trade and other payables.

Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Company becomes party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Classification and subsequent measurement of financial assets is driven by the business model for managing the financial assets and the contractual cash flow characteristics of those financial assets.

Financial assets are subsequently measured at amortised cost and adjusted for any credit loss allowance, as they are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. The effect of discounting on trade and other receivables is not considered to be material.

Loans and borrowings and trade payables are subsequently measured at amortised cost with any interest cost calculated in accordance with the effective interest rate method.

Derivatives are subsequently measured at fair value through Profit or Loss ("FVTPL") as they are managed on a fair value basis in accordance with a documented strategy. The derivatives do not meet the SPPI criterion (solely payments of principal and interest) and accordingly are mandatorily measured at FVTPL under IFRS 9. The Company does not classify any derivatives as hedges in a hedging relationship.

Realised gains and losses arising on the derecognition of financial assets and liabilities are recognised in the period in which they arise.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Financial liabilities

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises allowances for expected credit losses ("ECL") on financial instruments that are not measured at FVPTL, namely:

- Financial assets that are debt instruments;
- Accounts and other receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

A customer shall consider to be in default when either one or both of the following events occur:

- the Local LP entity considers the customer unlikely to pay ('UTP'). and / or
- the customer is past due more than 90 consecutive days on any material credit obligation ('90DPD').

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

LPUK's ECL model definition of SICR (significant increase in credit risk) is as follows:

Stage 1: 12-months expected credit losses This stage includes financial assets that have not had a significant increase in credit risk since initial recognition and that are not credit impaired upon origination. For these financial assets, the expected credit losses that result from default events that are expected within 12 months after the reporting date are recognised.

Stage 2: Lifetime expected credit losses - not credit impaired. For credit exposures where there has been a significant increase in credit risk since initial recognition of the financial asset but that are not credit impaired, a lifetime expected credit loss is recognised. At each reporting date, it is assessed whether there has been a significant increase in credit risk for financial assets since initial recognition. Both quantitative and qualitative information is used to determine if there is a significant increase in credit risk based on the characteristics of the financial asset. Quantitative information could be a decrease in credit rating below investment grade. Qualitative information is obtained from the monitoring of existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the debtor's ability to meet its obligations towards the company. A backstop of 30 days past due as an automatic trigger for significant increase in credit risk. The company has exposures to internal counterparties consisting of financial guarantees, loans to subsidiaries and loans to joint ventures entities. As the credit risk is highly dependent on the financial performance of the underlying lease portfolios, these credit risk exposures are monitored following qualitative factors in assessing the significant increase in credit risk:

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant (negative) change in the entity's ability to meet its debt obligations towards LeasePlan; and
 - An actual or expected significant (negative) change in the operating results of the entity.
- In addition, the internal credit rating scale is used to apply quantitative factors in assessing whether there is a significant increase in credit risk. It is considered that the credit risk has increased if the internal credit rating has significantly deteriorated at the reporting date relative to the original internal rating. If a significant increase in credit risk is identified, this triggers in general a transfer for all instruments in scope held with this counterparty from stage 1 to 2.

The company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Allowance for credit losses are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Credit-impaired financial assets

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

Credit-impaired trade receivables

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of transactions over a period of 36 month before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the inflation, interest rate and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include interest rate swaps.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In statement of financial position, derivative financial instruments with positive fair values ("unrealised gains") are included as assets and derivative financial instruments with negative fair values ("unrealised losses") are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases the entity discloses the carrying amount and nature of the assets or liabilities affected by the assumption.

Key sources of estimation uncertainty:

The main estimates and underlying assumptions relate to the residual values at the end of the contract date and the assessment of the impairment of both the operating lease and finance lease portfolios.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period of the revision or in any future periods affected, if the revision affects both current and future periods.

Residual values

Statistical models and calculations ("regression analysis") are used to calculate a vehicle's future value as accurately as possible. The company has an advanced management information system that closely monitors changes in the contractual residual values used in lease contracts. The existing residual value risks are periodically assessed at vehicle level by means of Fleet Risk Assessments.

Critical judgements

The main judgement relate to the assessment of the impairment of both the operating lease and finance lease portfolios.

Impairment of operating lease portfolio and prospective adjustments to depreciation

The basis for the depreciation of a lease contract is the investment value at cost less the estimated residual value as included in the contract. A change in this accounting estimate of residual value leads to a change in depreciation that has an effect in the current period and/or is expected to have an effect in subsequent periods. The risk is influenced by many internal and external factors.

Assets are reviewed for indications of impairment annually and the company considers both external and internal sources of information. If such an indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying value of the asset exceeds the recoverable amount, being the higher of the fair value less costs to sell and its value in use. As the assets under operating leases can not be sold until the termination of the lease, the company usually bases the conclusion on impairment on its value in use, which is determined as the present value of the future cash flows expected to be derived from the object.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Impairment of finance lease portfolio

For finance leases contracts, the lessor recognises lease receivables rather than the lease asset itself. In an annual assessment it is determined whether there is any objective evidence that a financial asset is impaired or uncollectible. The customer can choose to return the car on termination, therefore the basis for impairment is the difference between the carrying value of the asset and the recoverable amount, discounted at the original effective interest rate. A change in this accounting of the recoverable amount leads to an impairment.

4 Revenue

The analysis of the company's turnover for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Vehicle sales revenue	481,164	370,012
Lease Rentals	398,227	399,646
Interest income on operating leases	106,548	108,705
Interest income on finance leases	24,296	23,233
Lease services	61,112	60,360
Management fees	28,871	27,766
Short-term Rentals	22,936	21,297
Insurance income	4,007	4,427
Other revenue	5,144	19,471
	<u>1,132,305</u>	<u>1,034,917</u>

5 Cost of revenues

	2021	2020
	£ 000	£ 000
Depreciation on operating lease assets	453,885	309,856
Cost of vehicles sold	407,010	360,420
Lease services expenses	53,086	51,437
Interest expense	53,211	57,631
Rental	24,182	17,402
Insurance expenses	(3,206)	1,093
Impairment of property and equipment under operating lease	(16,603)	13,346
Commission expenses	32,682	32,622
Other	1,584	1,640
	<u>1,005,831</u>	<u>845,447</u>

6 (Recovery)/Impairment charges on loans and receivables

	2021	2020
	£ 000	£ 000
(Recovery)/Impairment of trade receivables	(6,491)	12,070
(Recovery)/Impairment of lease receivables	(4,424)	3,822
	<u>(10,915)</u>	<u>15,892</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Operating profit

Arrived at after charging

	2021	2020
	£ 000	£ 000
Depreciation expense	1,512	1,732
Amortisation expense	1,816	2,250
Impairment loss	80	1,746
Foreign exchange losses/(gains)	341	(74)
Operating lease expense - property	238	190
(Profit)/loss on disposal of property, plant and equipment	(689)	44
Expense on short term leases (over one month)	-	76
Expense on low value leases	<u>21</u>	<u>21</u>

8 Staff expenses

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	29,308	29,161
Social security costs	3,369	3,362
Pension costs, defined contribution scheme	1,421	1,530
Other employee expense	<u>2,552</u>	<u>3,095</u>
	<u>36,650</u>	<u>37,148</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Sales and marketing	134	117
Operations	256	308
Finance and administration	<u>127</u>	<u>124</u>
	<u>517</u>	<u>549</u>

The decrease in the number of persons employed by LeasePlan UK Limited between 2020 and 2021 is driven by resources utilised on projects affecting the entire LeasePlan group, and thus now on the ultimate parent's payroll, combined with delays experienced in replacing leavers.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021	2020
	£ 000	£ 000
Remuneration	527	608
Benefits in kind	62	89
Company contributions to defined contribution pension schemes	65	98
Compensation for loss of office	-	129
	<u>654</u>	<u>924</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021	2020
	No.	No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>3</u>

In respect of the highest paid director:

	2021	2020
	£ 000	£ 000
Remuneration	414	313
Company contributions to defined contribution pension schemes	<u>40</u>	<u>74</u>
	<u>454</u>	<u>387</u>

Bonus payments made to key management personnel during the year amounted to £79,669 (2020 - £110,914).

The directors are considered to be key management personnel.

10 Auditors' remuneration

	2021	2020
	£ 000	£ 000
Audit of the financial statements	<u>469</u>	<u>1,088</u>
Other fees to auditors		
Audit-related assurance services	<u>135</u>	<u>135</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Income tax

Tax charged in the statement of comprehensive income

	2021	2020
	£ 000	£ 000
Current taxation		
UK corporation tax	19,448	10,733
UK corporation tax adjustment to prior periods	7,469	7,398
	<u>26,917</u>	<u>18,131</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(15,386)	8,011
Arising from changes in tax rates and laws	(4,047)	(1,404)
Prior year adjustment to deferred tax charge	4,697	(4,237)
	<u>(14,736)</u>	<u>2,370</u>
Total deferred taxation	<u>(14,736)</u>	<u>2,370</u>
Tax expense in the statement of comprehensive income	<u>12,181</u>	<u>20,501</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£ 000	£ 000
Profit before tax	<u>41,626</u>	<u>101,229</u>
Corporation tax at standard rate	7,909	19,233
Decrease from effect of different UK tax rates on some earnings Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(3,861)	-
Increase from adjustments for prior periods	14	(490)
Deferred tax credit relating to changes in tax rates or laws	12,165	3,162
	<u>(4,047)</u>	<u>(1,404)</u>
Total tax charge	<u>12,180</u>	<u>20,501</u>

The tax liability disclosed in the Statement of Financial Position is the sum of the total tax charge for this year and preceding years, less total payments made to HMRC. The balance at 31 December 2021 was £4,884,554: (2020: £6,286,583)

Deferred tax

Deferred tax assets:

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

2021	Asset £ 000
Timing differences on leased assets	13,452
RV and impairment provisions	7,297
Timing differences on property, plant and equipment	(682)
Other items	-
	<u>20,067</u>

2020	Asset £ 000
Timing differences on leased assets	20,635
RV and impairment provisions	(19,292)
Timing differences on property, plant and equipment	-
Other items	3,988
	<u>5,331</u>

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Timing differences on leased assets	20,635	(7,183)	13,452
RV and impairment provisions	(19,292)	26,589	7,297
Timing differences on property, plant and equipment		(682)	(682)
Other items	3,988	(3,988)	-
Net tax assets	<u>5,331</u>	<u>14,736</u>	<u>20,067</u>

Deferred tax movement during the prior year:

	At 1 January 2020 £000	Recognised in income £000	At 31 December 2020 £000
RV and impairment provisions	10,951	9,684	20,635
Timing differences on leased assets	(9,383)	(9,909)	(19,292)
Timing differences on property, plant and equipment	2,751	(2,751)	-
Other timing differences	3,381	607	3,988
	<u>7,700</u>	<u>(2,369)</u>	<u>5,331</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

12 Intangible assets

Cost or valuation	Internally generated software development costs £ 000	Purchased software £ 000	Total £ 000
At 1 January 2021	20,682	23	20,705
Additions	302	-	302
At 31 December 2021	20,984	23	21,007
Amortisation			
At 1 January 2021	16,078	23	16,101
Amortisation charge	1,816	-	1,816
Impairment	433	-	433
At 31 December 2021	18,327	23	18,350
Carrying amount			
At 31 December 2021	2,657	-	2,657
At 31 December 2020	4,251	-	4,251

13 Property and equipment under operating lease

	2021 £ 000
Cost	
Balance as at 1 January 2021	2,881,816
Additions	839,023
Disposals	(796,231)
At 31 December 2021	2,924,608
Accumulated depreciation and impairment	
Balance as at 1 January 2021	(775,976)
Depreciation charge for the year	(402,417)
Disposals	347,815
Reversal of impairment charge	36,099
At 31 December 2021	(794,479)
Carrying amount	
At 31 December 2020	2,105,840
At 31 December 2021	2,130,129

This balance excludes the ECL provision, which totals £0.5m.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

In accordance with IAS 16, residual values have been reviewed at the balance sheet date for any changes to used vehicle prices and the depreciation adjusted prospectively over the remaining lease term, in accordance with IAS 8. In addition to this, the assets have been tested for impairment and where appropriate impairment losses recognised in the financial statements.

An approximation of the future minimum lease receivables for vehicles under operating leases is summarised below:

	2021 £ 000	2020 £ 000
Not longer than 1 year	406,699	488,274
Longer than a year, less than five years	441,692	512,279
Longer than five years	1,855	1,255
	<u>850,246</u>	<u>1,001,808</u>

An approximation of the unguaranteed residual values accruing to the benefits of the lessor for vehicles under operating leases is summarised below:

	2021 £ 000	2020 £ 000
Not longer than 1 year	658,882	597,658
Longer than a year, less than five years	838,929	853,164
Longer than five years	1,918	1,995
	<u>1,499,729</u>	<u>1,452,817</u>

14 Other property and equipment

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost			
At 1 January 2021	9,835	5,506	15,341
Additions	1,686	501	2,187
Disposals	(694)	-	(694)
At 31 December 2021	<u>10,827</u>	<u>6,007</u>	<u>16,834</u>
Depreciation			
At 1 January 2021	2,453	5,255	7,708
Charge for the year	1,320	193	1,513
Eliminated on disposal	(662)	-	(662)
At 31 December 2021	<u>3,111</u>	<u>5,448</u>	<u>8,559</u>
Carrying amount			
At 31 December 2021	<u>7,716</u>	<u>559</u>	<u>8,275</u>
At 31 December 2020	<u>7,382</u>	<u>251</u>	<u>7,633</u>
Impairment			

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Northampton Premises

The Northampton premises were utilised by the CarNext project, which was discontinued in 2020. It was replaced with a new agreement for the resale of second-hand vehicles made with British Car Auctions Ltd ("BCA"), which allows LeasePlan UK Limited to sell its vehicles in a quicker and more efficient manner. The Northampton premises are thus no longer utilised, and their value has been impaired on this basis. The amount of impairment loss included in profit and loss is £Nil (2020 - £742,635), which comprises a £1,165,913 charge and a £423,278 partial reversal.

Disposals

Disposals include parking spaces in Slough and offices in London.

The parking spaces were located at the Copthorne Hotel, Victoria Road, Surrey. They were valued at an initial cost of £246k and had a remaining carrying value of £219k as at disposal.

The offices were located in Chiswick Park, London. Their initial cost was £726k and they were fully depreciated as at disposal. The offices in London had been leased for use as part of the CarNext project, which was discontinued in 2019. It was replaced with a new agreement for the resale of second-hand vehicles made with British Car Auctions Ltd ("BCA"), which allows LeasePlan UK Limited to sell its vehicles in a quicker and more efficient manner. As a result, the Chiswick Park offices were not replaced after the lease was terminated.

Depreciation

Depreciation has been charged under 'Depreciation expense' in the Income statement (note 7), which includes depreciation, amortisation and impairment charges, as well as all gains and losses on disposal of capitalised assets.

15 Assets for short-term rental

	2021 £ 000
Cost	
At 1 January 2020	27,590
Additions	30,459
Disposals	<u>(8,592)</u>
At 31 December 2021	<u><u>49,457</u></u>
Accumulated depreciation and impairment	
At 1 January 2020	(3,308)
Depreciation charge for the year	(8,124)
Impairment	(15,805)
Disposals	<u>3,668</u>
At 31 December 2021	<u><u>(23,569)</u></u>
Carrying amount	
At 31 December 2020	<u>24,282</u>
At 31 December 2021	<u><u>25,888</u></u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Inventories

There is no material difference between the balance sheet value of inventories and their replacement cost.

The decrease in inventory of new vehicles is linked to the semi-conductor shortage discussed separately, and is accompanied by an increase in outstanding commitments as at 31 December 2021, disclosed within note 26.

	2021	2020
	£ 000	£ 000
Vehicles from terminated contracts	9,576	13,252
New vehicles	19,983	58,328
	<u>29,559</u>	<u>71,580</u>

17 Other receivables and prepayments

	2021	2020
	£ 000	£ 000
Non-current assets		
Loans to related parties	2,520	24,165
Other receivables	2,307	748
Prepayments	182	146
	<u>5,009</u>	<u>25,059</u>
Current assets		
Receivables from related parties	11,467	4,255
Loans to related parties	27,768	11,291
Prepaid road tax	15,560	16,307
Prepayments	8,789	8,270
Other Receivables	11,858	18,900
Rebates and bonuses receivable	10,554	8,234
	<u>85,996</u>	<u>67,257</u>

The company's policy towards exposure to credit and market risks, including impairments and allowances for credit losses, relating to trade and other debtors is disclosed in the financial risk management and impairment section of note 2 "Accounting policies".

18 Receivables from customers

This item includes amounts receivable under finance lease contracts and trade receivables, after deduction of allowances for impairment.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

	2021	2020
	£ 000	£ 000
Non-current assets		
Amounts receivable under finance lease contracts	403,606	260,335
Current assets		
Amounts receivable under finance lease contracts	98,431	95,867
Trade receivables	43,951	52,482
Impairment of receivables	(7,442)	(11,714)
Residual value (provision)	-	(415)
	134,940	136,220
Total receivables from customers	538,546	396,555

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

(i) Impairment

The movement in impairment of receivables is as follows:

	2021 £ 000	2020 £ 000
Balance as at 1 January	11,714	2,467
Net movement in impairment of receivables	(3,652)	14,206
Receivables written off during the year as uncollectable	(620)	(4,959)
Balance as at 31 December	<u>7,442</u>	<u>11,714</u>

In 2020, the Coronavirus Health Crisis caused financial difficulties for customers, leading to a higher impairment charge for the year. A large proportion of the increase has been driven by a material individual customer. As at the year-end, there was significant uncertainty over the recoverability of the associated balance. However, the debt was subsequently settled in full in 2021, hence the net negative movement in impairment of receivables within the year.

(ii) Finance Lease contracts

The total receivables from customers include finance lease receivables, which may be analysed as follows:

	2021 £ 000	2020 £ 000
Gross investment in finance leases, with remaining maturities:		
- not longer than 1 year	117,632	130,693
- longer than a year, less than five years	410,548	315,673
- longer than five years	-	-
Residual value provisions	-	(281)
	<u>528,180</u>	<u>446,085</u>
Unearned finance income on finance leases	(34,698)	(90,298)
Present value of minimum lease payments receivable	<u>493,482</u>	<u>355,787</u>
Present value of minimum lease payments receivable, with remaining maturities:		
- not longer than 1 year	96,168	95,867
- longer than a year, less than five years	397,314	260,201
Residual value provisions	-	(281)
Balance as at 31 December	<u>493,482</u>	<u>355,787</u>
Unguaranteed residual values accruing to the benefits of the lessor, with remaining maturities:		
- not longer than 1 year	21,464	37,077
- longer than a year, less than five years	157,099	139,384
- longer than five years	-	-
Balance as at 31 December	<u>178,563</u>	<u>176,461</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

19 Cash and cash equivalents

	2021	2020
	£ 000	£ 000
Cash at bank	-	248
Bank overdrafts (see Note 21)	<u>(15,142)</u>	<u>(19,319)</u>
Cash and cash equivalents	<u><u>(15,142)</u></u>	<u><u>(19,071)</u></u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

20 Share capital

Allotted, called up and fully paid shares

	No. 000	2021 £ 000	No. 000	2020 £ 000
Ordinary shares of £1 each	<u>14,500</u>	<u>14,500</u>	<u>14,500</u>	<u>14,500</u>

A dividend of £5.79 per share (2020: £1.38), totalling £84m (2020: £20m) was paid during the year to the parent entity.

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 Loans and borrowings

The bank overdraft bears interest at 2.25% per annum over Base Rate, is unsecured and repayable on demand.

Borrowings from group undertakings are unsecured, bear interest in the range of 1.53% - 2.74% (2020: 1.72% - 2.83%) per annum and fall due in instalments over a three-year period.

Borrowings from other group companies consist of the deemed loan derived from the A and B notes issued under the Bumper (UK) 2019-1 Finance Plc securitisation programme and from the A notes issued under the Bumper (UK) 2021-1 Finance Plc. The companies have retained substantially all the risks and rewards of the pool of lease rentals and RV claims and as a consequence does recognise the lease rentals and RV claims on its balance sheet. Further details on both securitisation programmes are included within Note 28.

	2021 £ 000	2020 £ 000
Non-current		
Borrowings from group undertakings	1,106,086	959,165
Borrowings from other group companies	<u>423,523</u>	<u>120,682</u>
	<u>1,529,609</u>	<u>1,079,847</u>
Current		
Bank overdrafts	15,142	19,319
Borrowings from group undertakings	482,768	800,062
Borrowings from other group companies	<u>359,629</u>	<u>202,624</u>
	<u>857,539</u>	<u>1,022,005</u>

The maturity profile of these borrowings is as follows:

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

	2021 £ 000	2020 £ 000
Borrowings from group undertakings		
- three months or less	37,970	238,878
- longer than three months, less than a year	444,798	561,184
- longer than a year, less than five years	<u>1,106,086</u>	<u>959,165</u>
Balance as at 31 December	<u><u>1,588,854</u></u>	<u><u>1,759,227</u></u>
Borrowings from other group companies		
- three months or less	41,905	49,875
- longer than three months, less than a year	317,724	152,749
- longer than a year, less than five years	<u>423,523</u>	<u>120,682</u>
Balance as at 31 December	<u><u>783,152</u></u>	<u><u>323,306</u></u>

22 Leases

Leases included in creditors

Leases included in creditors relate to the amounts owed under IFRS16 for the leases on the Slough offices used by LeasePlan UK Limited.

The balances as at year-end are displayed below:

	2021 £ 000	2020 £ 000
Current portion of long term lease liabilities	1,323	1,442
Long term lease liabilities	<u>7,640</u>	<u>8,076</u>
Total lease liabilities	<u><u>8,963</u></u>	<u><u>9,518</u></u>

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2021 £ 000	2020 £ 000
Less than one year	1,323	1,442
Between 1 and 5 years	5,493	5,102
More than 5 years	<u>2,147</u>	<u>2,974</u>
Total lease liabilities (undiscounted)	<u><u>8,963</u></u>	<u><u>9,518</u></u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

23 Other provisions

	Other provisions £ 000	Total £ 000
At 1 January 2021	3,988	3,988
Additional provisions	248	248
Provisions used	(396)	(396)
Unused provision reversed	<u>(1,660)</u>	<u>(1,660)</u>
At 31 December 2021	<u>2,180</u>	<u>2,180</u>
Non-current liabilities	<u>647</u>	<u>647</u>
Current liabilities	<u>1,533</u>	<u>1,533</u>

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

LeasePlan UK Limited has elected to disclose its provisions relating to legal proceedings, employee benefits and lease restoration costs within this note.

Movements within "unused provision reversed" relate to provisions released to the Statement of Profit or Loss during the year. This release results from the resolution of the matters they related to during the year without making use of the provision amount. Movements within "provisions used" relate to the partial resolution of pre-existing tax-related matters with HMRC.

The non-current portion of other provisions are dilapidation accruals relating to the Slough offices, which are included within Note 14. The current portion of these provisions is largely attributable to tax-related matters currently under resolution with HMRC.

24 Trade and other payables

	2021	2020
	£ 000	£ 000
Trade creditors	25,365	40,024
Deferred leasing income	66,224	59,786
Advance lease instalments received	51,772	55,283
Social security and other taxes	1,488	597
Accruals and deferred income	89,772	90,638
Amounts owed to group undertakings	6,247	20,383
Amounts owed to other group companies	26,147	26,075
Down payments	6,825	6,178
	<u>273,840</u>	<u>298,964</u>

Deferred leasing income relates to amounts received in advance, as part of the monthly lease instalments, to cover lease expenses in a subsequent year.

Advance lease instalments received relates to periodical rentals received in advance.

25 Pension and other schemes

Defined contribution pension scheme

The company operates a Group Personal Pension Scheme, a defined contribution scheme in which all benefits and risks are secured as individual policies and are independent of LeasePlan UK Limited. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,420,525 (2020 - £1,529,971).

The contributions amounting to £165,601 (2020: £169,803) were outstanding as at 31 December 2021 and are included in other staff accruals.

26 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £286,865,150 (2020 - £132,401,874). Commitments relate to vehicles ordered by LeasePlan UK Limited ahead of the year-end, but not yet received from the manufacturers.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

27 Derivative financial instruments

The company has entered into an interest rate swap transaction with LeasePlan Corporation N.V. as the swap counterparty. The swap under the terms of the agreement the company is receiving a floating rate of interest in exchange for a fixed rate in order to hedge the interest rate differential on its financial assets and floating rate debt securities.

The fair value of interest rate derivatives held is set out below. The statement of financial position also includes interest payable on the interest rate swap.

Additionally, the company has entered into credit compensation deals with LeasePlan Corporation N.V. (the "ultimate parent"), in relation to Bumper (UK) 2019-1 Finance Plc and Bumper (UK) 2021-1 Finance Plc. Under the overall group financing strategy, funds obtained by LeasePlan UK Limited were transferred to its ultimate parent, allowing LeasePlan Corporation N.V. to fund the business of the LeasePlan group's various entities. This transfer was performed via credit compensation deals, whereby pre-existing inter-company loans with similar terms as the transaction were deemed to be early-settled, but the related interest charges at fixed rate continue to apply. Simultaneously, upfront and actual funding costs borne by LeasePlan UK Limited for Bumper (UK) 2019-1 Finance Plc and Bumper (UK) 2021-1 Finance Plc, are compensated by LeasePlan Corporation N.V. at the applicable variable interest rate. The resulting fair value of interest rate derivative held is set out below.

Derivative financial instruments held by the company are not held for trading purposes, but are intended to be held-to-maturity.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ("unobservable input").

The company did not have any defaults of principal or interest or other breaches with respect to its debt securities during the years ended 31 December 2021 and 31 December 2020.

	Level 1	Level 2	Level 3	Total
2020				
<i>In thousands of sterling</i>				
Interest rate swap	-	1,955	-	1,955
Credit compensation deals	-	(8,691)	-	(8,691)
	-	(6,736)	-	(6,736)
2021				
<i>In thousands of sterling</i>				
Interest rate swap	-	4,828	-	4,828
Credit compensation deals	-	(11,313)	-	(11,313)
	-	(6,485)	-	(6,485)

28 Related party transactions

Transactions with British Car Auctions Ltd

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

As of 21st March 2016, LP Group B.V. became the shareholder of LeasePlan UK Limited's ultimate parent, LeasePlan Corporation N.V.. LP Group B.V. represents a group of long-term responsible investors, which include ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors has a(n indirect) controlling interest in the Company.

On 6th November 2019, TDR Capital, one of the aforementioned investors, acquired a controlling interest in British Car Auctions Limited ("BCA"). As a result, BCA became a related party of the wider LeasePlan group, and thus of LeasePlan UK Limited.

In the ordinary course of business, LeasePlan UK Limited had been doing business with BCA on an arm's length basis ahead of British Car Auctions Limited becoming a related party. These transactions continued after BCA's acquisition by TDR Capital, without changes to the terms of business.

The transactions between the Company and British Car Auctions Limited during the financial year were:

2021	BCA acting as principal	BCA acting as agent	Total
Net sales result (excluding selling costs)	99,628,000	7,723,000	107,351,000
Net commission paid to BCA	-	-	(4,780,000)
	-	-	<u>102,571,000</u>
2020	BCA acting as principal	BCA acting as agent	Total
Net sales result (excluding selling costs)	=	6,487,000	6,487,000
Net commission paid to BCA	-	-	(8,603,000)
	-	-	<u>(2,116,000)</u>

Net sales results correspond to the vehicle sales proceeds, less their net book value prior to the sale. The net commission paid to BCA consists of disposal costs, which include inspection, collection, sale and processing costs.

The balances due in respect of British Car Auctions Limited as at 31 December were:

	2021	2020
	£ 000	£ 000
Trade receivables	7,350	616
Trade payables	<u>(2)</u>	<u>(12)</u>
	<u>7,348</u>	<u>604</u>

Transactions with Bumper 8 UK Finance PLC

In February 2017, the company conducted a securitisation program under the name Bumper 8 whereby £545 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Limited (the "originator") were sold to Bumper 8 UK Finance PLC, a bankruptcy remote limited liability entity incorporated under the laws of England and Wales and specifically incorporated for the purpose of the securitisation transaction. Debt securities were issued by Bumper 8 UK Finance PLC to finance this transaction. The title to the underlying vehicles is retained by the originator (except for vehicles under an Employee Car Ownership Scheme).

The transaction came to an end in August 2020, with all notes being repaid. The liquidation of the entity was in-progress throughout 2021 and culminated in the entity's dissolution on 27 January 2022.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

There were no transactions between LeasePlan UK Limited and Bumper 8 (UK) Finance Plc during the financial year to 31 December 2021. The balances due in respect of Bumper 8 UK Finance PLC as at 31 December were:

	2021 £ 000	2020 £ 000
Borrowings from other group companies	-	-
Accrued interest on Class C notes	-	-
	-	-
	-	-

Transactions with Bumper (UK) 2019-1 Finance PLC

In March 2019, the company conducted a securitisation program under the name Bumper (UK) 2019-1 Finance PLC, whereby £550 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Limited (the "originator") were sold to Bumper (UK) 2019-1 Finance PLC, a bankruptcy remote limited liability entity incorporated under the laws of England and Wales and specifically incorporated for the purpose of the securitisation transaction. Debt securities were issued by Bumper (UK) 2019-1 Finance PLC to finance this transaction. The title to the underlying vehicles is retained by the originator (except for vehicles under an Employee Car Ownership Scheme) and the portfolio was valued at £234,592,496 at 31 December 2021.

The notes issued under this securitisation programme have a term of ten years and a revolving period that ended in July 2020. During this revolving period, Bumper (UK) 2019-1 Finance PLC could apply the principal collections on the loan receivable to purchase, subject to certain conditions, further eligible receivables from the Originator. The notes are divided into a number of classes and further information including ratings by external agencies is given below:

Class	Original Amount	S&P Rating	Fitch Rating	DBRS Rating	Interest Rating
Class A Notes	£400,000,000	AAA	AAA	AAA	Compounded Daily SONIA + 0.60%
Class B Notes	£30,000,000	AA	AA	AA	Compounded Daily SONIA + 1.00%
Class C Notes	£120,000,000	NR	NR	NR	260bps

The A notes are listed on the Irish Stock Exchange and held by external investors, the B notes are held by LeasePlan Corporation N.V and the C notes are held by LeasePlan UK Limited.

In terms of priority of order of payments, the B notes are subordinated to the A notes and C notes are subordinate to the B notes.

The transactions between the Company and Bumper (UK) 2019-1 Finance PLC during the financial year were:

	2021 £ 000	2020 £ 000
Net interest expense on borrowings with other group companies	(3,120)	(3,414)

The balances due in respect of Bumper (UK) 2019-1 Finance PLC as at 31 December were:

	2021 £ 000	2020 £ 000
Borrowings from other group companies	(114,593)	(324,049)
Accrued interest on Class C notes	10	138
	(114,583)	(323,911)
	(114,583)	(323,911)

The transaction came to an end in July 2021, with all notes being repaid in full. The liquidation of the entity is in-progress at the time of writing.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Transactions with Bumper (UK) 2021-1 Finance PLC

In March 2021, the company conducted a securitisation program under the name Bumper (UK) 2021-1 Finance PLC, whereby £550 million of future lease instalment receivables and associated residual value receivables originated by LeasePlan UK Limited (the "originator") were sold to Bumper (UK) 2021-1 Finance PLC, a bankruptcy remote limited liability entity incorporated under the laws of England and Wales and specifically incorporated for the purpose of the securitisation transaction, of which LeasePlan UK acquired £150 million of it. Debt securities were issued by Bumper (UK) 2021-1 Finance PLC to finance this transaction. The title to the underlying vehicles is retained by the originator (except for vehicles under an Employee Car Ownership Scheme) and the portfolio was valued at £549,988,355 at 31 December 2021.

The notes issued under this securitisation programme have a term of ten years and a revolving period that is due to end in 2023. During this revolving period, Bumper (UK) 2021-1 Finance PLC can apply the principal collections on the loan receivable to purchase, subject to certain conditions, further eligible receivables from the Originator. The notes are divided into a number of classes and further information including ratings by external agencies is given below:

Class	Original Amount	S&P Rating	Fitch Rating	DBRS Rating	Interest Rating
Class A Notes	£400,000,000	AAA	AAA	AAA	Compounded Daily SONIA + 0.50%
Class B Notes	£500,000,000	NR	NR	NR	174bps

The A notes are listed on the Irish Stock Exchange and held by external investors and the B notes are held by LeasePlan UK Limited. In terms of priority of order of payments, the B notes are subordinated to the A notes.

The transactions between the Company and Bumper (UK) 2021-1 Finance PLC during the financial year were:

	2021	2020
	£ 000	£ 000
Net interest expense on borrowings with other group companies	2,117	-

The balances due in respect of Bumper (UK) 2021-1 Finance PLC as at 31 December were:

	2021	2020
	£ 000	£ 000
Borrowings from other group companies	(397,359)	-
Accrued interest on Class C notes	86	-
	<u>(397,273)</u>	<u>-</u>

Transactions with directors

The Directors do not control any of the voting shares of the company. There have been no transactions with the directors in 2021 outside of the payment of their emoluments, as set out in Note 9.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

Management Investment Plan

Selected members of the Managing board, have been provided with an opportunity to make an indirect investment alongside a consortium of financial investors in LeasePlan through a Management Investment Plan (the 'MIP'). In order to facilitate the allocation of the MIP investment to individual employees, the investment in the MIP is held indirectly via a management holding company ('ManCo'). ManCo issues shares to a specially incorporated foundation that issues depositary receipts to each participant as evidence of his/her MIP investment. These depositary receipts entitle a participant to the full economic benefit of the underlying shares held by ManCo in an indirect parent company of LeasePlan.

At the launch of the MIP (November 2016) Management indirectly invested €825,000 via ManCo in LeasePlan Corporation N.V.

Leavers and joiners to the MIP have been listed in previous Statutory Accounts. There were no changes to the participants in 2021.

The Finance Director received a loan from LeasePlan on commencing participation in the MIP. As at 31.12.21 the loan had been repaid in full.

At 31.12.21 the total investment of LeasePlan UK Limited management in the MIP was unchanged from the end 2020 figure at €735,000. Of that amount the total aggregated investment amount of key management personnel amounted to €350,000 (unchanged from end 2020). The acquisition price of the ordinary shares in ManCo represents the fair market value of those shares, being the same subscription price as paid by the Consortium for their interest in the ordinary shares.

In July 2021 existing MIP participants who were also current LeasePlan employees were invited to participate in an investment in CarNext (which at that time was wholly owned by LeasePlan) via the same ManCo as the MIP. Two participants invested a total of €45,000 via a loan provided by ManCo - note, this is different to the MIP where the loan was provided by LeasePlan. As at 31.12.21 the total outstanding loan to participants was €45,790.92. Only one participant was classified as key management personnel so the total listed as invested has not been split, for reasons of personal confidentiality.

Accordingly, there is no impact on the company's results or its financial position from the MIP.

Borrowings from other group entities are in respect of deemed loans issued by the Company's securitisation vehicles as disclosed in note 28. A portion of the Company's motor vehicle fleet is ringfenced against these loans. The total market values of the ring fenced fleet is disclosed in note 28.

29 Parent and ultimate parent undertaking

As per 21 March 2016, LP Group B.V. became the shareholder of LeasePlan Corporation N.V. group. LP Group B.V. represents a group of long term responsible investors and includes ADIA, ATP, Broad Street Investments, GIC, PGGM and TDR Capital. None of these investors has a direct or indirect controlling interest in the Company. The business relations between the Company, LP Group B.V. and their indirect shareholders are handled on normal market terms. There were no further transactions or changes in shareholding.

The company's immediate parent is Inula Holding UK Limited.

The ultimate parent is LeasePlan Corporation N.V.

The most senior parent entity producing publicly available financial statements is LeasePlan Corporation N.V. These financial statements are available upon request from Gustav Mahlerlaan 360, 1082 ME Amsterdam, The Netherlands.

LeasePlan UK Limited (registered number: 1397939)
Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

30 Non adjusting events after the financial period

Acquisition by ALD

Following the announcement of the proposed acquisition by ALD of LeasePlan, LeasePlan's shareholders and LeasePlan signed a framework agreement with ALD and Societe Generale on 22 April 2022. This framework agreement is a binding agreement, which confirms the terms of the transaction as first disclosed in January 2022 within the Memorandum of Understanding.

Ukraine-Russia War

The Ukraine-Russia war is a key contributing factor to the significant increase in energy prices and the wider cost of living crisis affecting the UK and wider Europe. The risk posed by the war is currently centred on customers' ability to settle their invoices on the rent as they come due. However, we have established a clear monitoring system to ensure that the Company is kept abreast of recent developments in the war.

These are regularly raised to and discussed by the Board to ensure that timely and appropriate action is taken. Such actions include compliance with both UK and EU government sanctions.