Lloyds Bank Financial Advisers Limited

Annual report and accounts
for the year ended 31 December 2015

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

212497

Current directors

J Burgess
S J Kenyon

Company Secretary

K Melville

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2015

The directors present their report and the audited financial statements of Lloyds Bank Financial Advisers Limited ("the Company") for the year ended 31 December 2015

General information

Lloyds Bank Financial Advisers Limited acted as an intermediary and offered finance advice on investments, life assurance and pension products The Company closed to new business in 2012 The Company is incorporated and domiciled in England and Wales (registered number 212497), and its immediate parent undertaking is Lloyds Bank Private Banking Limited

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for Wealth Division of the Group and are not managed separately for the Company Further details of the Company's and Group's risk management policy are contained in note 13 to the financial statements

At 31 December 2015, a provision of £5,644,000 (2014 £5,830,000) was held relating to anticipated compensation payments in respect of products sold in the past where the best advice may not have been given to specific group of customers There remains uncertainty over the quantum of the required provision, the outcome of which could potentially affect the Company's ability to continue as a going concern were it not for the support being provided by the Company's ultimate parent undertaking, Lloyds Banking Group plc The board have however renewed a letter of support confirming Lloyds Banking Group plc will continue to maintain the Company in a position to meets its obligations, including financial liabilities as they fall due along with any ongoing capital obligation

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Future outlook

In 2012 the Retail Distribution Review ("RDR") regime for the sale of investment products was implemented under the guidance of the Financial Conduct Authority Under the implementation of RDR the Company has chosen to take a 'broad restricted' status and therefore has closed the previous independent business to new sales Business written prior to RDR will continue to generate income on the existing basis

Dividends

No dividends were paid or proposed during the year ended 31 December 2015 (2014 £nil)

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis

Directors

The current directors of the Company are shown on the front cover

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

J Burgess	(appointed 3 March 2016)
S Deaves	(resigned 6 March 2016)
I Kirkpatrick	(resigned 7 August 2015)
A D Lane	(resigned 09 December 2015)
M Stadlmann	(appointed 27 July 2015 and resigned 6 March 2016)

Directors' report (continued)

For the year ended 31 December 2015

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, including former directors who resigned during the year, a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006 The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the board of the Company during the financial year Directors no longer in office but who served on the board of the Company at any time in the financial year had the benefit of this contract of indemnity during that period of service The indemnity remains in force for the duration of a director's period of office The deed indemnifies the directors to the maximum extent permitted by law Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards ("IFRSs") as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

Each director in office at the date of this report confirms that

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

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006

Special provisions relating to small companies

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Independent auditors

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

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

S J Kenyon
Director

11 APRIL 2016

Independent auditors' report to the member of Lloyds Bank Financial Advisers Limited

Report on the financial statements

Our opinion

In our opinion, Lloyds Bank Financial Advisers Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited

The financial statements, included within the Annual Report and accounts (the "Annual Report"), comprise

- the Balance sheet as at 31 December 2015,
- the Statement of comprehensive income for the year then ended,
- the Cash flow statement for the year then ended, and
- the Statement of changes in equity for the year then ended,
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates In making such estimates, they have made assumptions and considered future events

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- 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

We have no exceptions to report arising from this responsibility

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made We have no exceptions to report arising from this responsibility

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic report We have no exceptions to report arising from this responsibility

Independent auditors' report to the member of Lloyds Bank Financial Advisers Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK and Ireland) An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Philip Rivett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

11 April 2016

Statement of comprehensive income

For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Fees and commission income		**-**	32
Other operating expenses	3	**778**	(3,064)
Profit/(loss) before interest and taxation		**778**	(3,032)
Interest income	4	**22**	34
Profit/(loss) before tax		**800**	(2,998)
Taxation	6	**(164)**	646
Profit/(loss) for the year attributable to owners of the parent, being total comprehensive income/(expense)		**636**	(2,352)

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

Balance sheet

As at 31 December 2015

	Note	2015 £'000	Restated 31 December 2014 £'000	Restated 1 January 2014 £'000
ASSETS				
Cash and cash equivalents		**13,050**	14,310	6,447
Other current assets	7	**584**	-	4,959
Current tax asset		-	-	882
Retirement benefit asset		-	212	124
Total assets		**13,634**	14,522	12,412
LIABILITIES				
Borrowed funds	8	-	782	-
Accruals and deferred income		**40**	289	53
Provision for liabilities and charges	9	**5,644**	5,830	2,875
Current tax liability		**205**	471	-
Deferred tax liability	10	-	41	23
Total liabilities		**5,889**	7,413	2,951
EQUITY				
Share capital	11	**3,000**	3,000	3,000
Retained earnings		**4,745**	4,109	6,461
Total equity		**7,745**	7,109	9,461
Total equity and liabilities		**13,634**	14,522	12,412

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

The 2014 comparatives have been restated to reflect the reclassification explained in note 17

The financial statements were approved by the board of directors and were signed on its behalf by

S J Kenyon
Director

11 APRIL 2016

Statement of changes in equity
For the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013 - restated	3,000	1,748	4,748
Profit for the year being total comprehensive income	-	4,713	4,713
At 31 December 2014 - restated	3,000	6,461	9,461
Loss for the year being total comprehensive expense	-	(2,352)	(2,352)
At 31 December 2014 - restated	**3,000**	**4,109**	**7,109**
Profit for the year being total comprehensive income	-	636	636
At 31 December 2015	**3,000**	**4,745**	**7,745**

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

Cash flow statement

For the year ended 31 December 2015

	2015 £'000	Restated 2014 £'000
Cash flows (used in)/generated from operating activities		
Profit/(loss) before tax	**800**	(2,998)
Adjustments for		
- Interest income	**(22)**	(34)
- Net (increase)/decrease in Other debtors	**(1)**	11
- Net decrease/(increase) in Retirement benefit assets	**212**	(88)
- Net (decrease)/increase in Accruals and deferred income	**(249)**	236
- Net (decrease)/increase in Provision for liabilities and charges	**(186)**	2,955
- Net (decrease)/increase in the net balance with group undertakings	**(1,365)**	5,730
Cash (used in)/generated from operations	**(811)**	5,812
Group relief (paid)/received	**(471)**	2,017
Net cash (used in)/generated from operating activities	**(1,282)**	7,829
Cash flows generated from investing activities		
Interest income	**22**	34
Net cash generated from investing activities	**22**	34
Change in cash and cash equivalents	**(1,260)**	7,863
Cash and cash equivalents at beginning of year	**14,310**	6,447
Cash and cash equivalents at end of year	**13,050**	14,310

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

Notes to the financial statements
For the year ended 31 December 2015

1. Accounting policies

1 1 Basis of preparation

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

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements

- Annual improvement to IFRSs (issued December 2013) A collection of amendments to IFRSs from the 2011 - 13 cycle of the annual improvements projects

The application of these pronouncements have not had any impact for amounts recognised in these financial statements

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2015 and which have not been applied in preparing these financial statements are given in note 18 No standards have been early adopted

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

1 2 Income recognition

Interest income for all interest bearing financial instruments is recognised in the Statement of comprehensive income as it accrues

Fees and commission income

Brokerage fees and commission income are credited to the Statement of comprehensive income when the related premiums are paid by the customer, and are stated after deducting provision for clawback of commission, based on previous clawback experience

1 3 Financial assets and liabilities

Financial assets comprise Other debtors and Cash and cash equivalents Financial liabilities comprise Amounts due to group undertakings and Accruals and deferred income

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method

1 4 Cash and cash equivalents

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

1 5 Taxation, including deferred income taxes

Current tax which is payable or receivable on taxable profits or losses is recognised as an expense or credit in the period in which the profits or losses arise

Notes to the financial statements (continued)

For the year ended 31 December 2015

1 Accounting policies (continued)

1 5 Taxation, including deferred income taxes (continued)

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available in the Company or the Group against which these losses can be utilised

Tax assets and liabilities are offset when they arise in the same tax reporting group and where there is both a legal right of offset and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously

1 6 Retirement benefit obligations

The Company participates in various defined benefit and defined contribution pension schemes operated by companies within the Group Full details of these schemes can be found in the 2015 annual report and financial statements of the Company's ultimate parent undertaking, Lloyds Banking Group plc

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary A defined contribution plan is a pension plan under which the Company pays fixed contributions, there is no legal or constructive obligation to pay further contributions

The Company is charged an amount equal to the current service cost of providing pension benefits, past service cost, net interest expense (income) and plan administration costs that are not deducted from return on plan assets

The Company's Balance sheet includes the net surplus or deficit, being the fair value of scheme assets less the discounted value of scheme liabilities Surpluses are only recognised to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes

The costs of the Company's contributions towards the Group's defined contribution plans are charged to the Statement of comprehensive income in the period in which they fall due

1 7 Share based payments

The Company receives recharges in respect of a number of share based compensation plans operated by the Company's ultimate parent company based on the fair value of the number of equity based instruments that are expected to vest in respect of services of the relevant employees included in note 3 Full details of these schemes can be found in the 2015 Annual Report and Accounts of the Group

1 8 Provision for liabilities and charges

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

2 Critical accounting estimates and judgements in applying accounting policies

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

Customer redress provision

Provision for liabilities and charges relate to anticipated compensation payments in respect of products sold in the past where best advice may not have been given to customer

At 31 December 2015, the Company carried provisions of £5,644,000 (2014 £5,830,000) against the cost of making redress payments to customers and the related administration costs Determining the amount of provisions, which represent management's best estimate of the cost of settling these issues, requires the exercise of significant judgement It will be often be necessary to form a view on matters which are inherently uncertain, such as the number of future complaints, the extent to which they will upheld and the average cost of redress Consequently the continued appropriateness of the underlying assumptions is reviewed on a regular basis against actual experience and other relevant evidence and adjustments made to the provision where appropriate

Notes to the financial statements (continued)

For the year ended 31 December 2015

3 Other operating expenses

	2015 £'000	2014 £'000
Wages and salaries	-	(38)
Share based payments	-	(1)
Social security costs	-	(4)
Other pension costs	-	(1)
Staff costs	-	(44)
Administrative expenses	36	41
Expense for customer redress provision (see note 9)	8	3,067
Reimbursement of costs	(822)	-
	(778)	3,064
Administrative expenses include auditors' remuneration		
- Statutory audit	16	16

The Company did not have any direct employees during the year (2014 nil) In 2014 the staff costs shown above were recharged from other group undertakings In the current year the Company received a refund of prior years overcharged costs The equivalent staff numbers during the year averaged nil (2014 nil) All staff were located in the United Kingdom and provided management, administration and sales support

4 Interest income

	2015 £'000	2014 £'000
Cash deposits placed with Lloyds Bank plc (see note 12)	22	34

5. Directors' emoluments

The aggregate of emoluments of the directors for their services to the Company was £15,619 (2014 £143,000) Number of directors accruing benefits under money purchase and defined benefit schemes is four and one respectively (2014 five and three) No directors exercised share options in the ultimate parent company during either year

6. Taxation

	2015 £'000	2014 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax		
- Current tax on taxable profit/(loss) for the year	205	(664)
Current tax charge/(credit)	205	(664)
UK deferred tax		
- Origination and reversal of timing differences	(42)	19
- Impact of deferred tax rate change	1	(1)
Deferred tax (credit)/charge (see note 10)	(41)	18
	164	(646)

Corporation tax is calculated at a rate of 20 25% (2014 21 50%) of the taxable profit for the year

6. Taxation (continued)

b) Factors affecting the tax charge/(credit) for the year

Where taxation on the Company's profit/(credit) for the year differs from the taxation charge/(credit) that would arise using the standard rate of corporation tax of 20 25% (2014 21 50%), the differences are explained below

	2015 £'000	2014 £'000
Profit/(loss) before tax	**800**	(2,998)
Tax charge/(credit) thereon at UK corporation tax rate of 20 25% (2014 21 50%)	**162**	(645)
Factors affecting charge/(credit)		
- Adjustments in respect of prior years	**1**	-
- Effect of reduction in tax rate and related impacts	**1**	(1)
Tax charge/(credit) on profit/(loss) on ordinary activities	**164**	(646)
Effective rate	**20 50%**	21 55%

The Finance Act 2013 was substantively enacted on 2 July 2013 The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015

7. Other current assets

	2015 £'000	2014 £'000
Amounts due from group undertakings (see note 12)	**583**	-
Other debtors	**1**	-
	584	-

Amounts due from group undertakings is unsecured, non-interest bearing and repayable on demand

8 Borrowed funds

	2015 £'000	Restated 2014 £'000
Amounts due to group undertakings (see note 12)	-	782

Amounts due to group undertakings was unsecured, non-interest bearing and repayable on demand

9. Provision for liabilities and charges

	Total **£'000**
At 1 January 2014	2,875
Charge for the year (see note 3)	4,679
Other movements (see note 3)	(1,612)
Utilised during the year	(112)
At 31 December 2014	5,830
Charge for the year (see note 3)	682
Reversal of unused provision (see note 3)	(674)
Utilised during the year	(194)
At 31 December 2015	**5,644**

Notes to the financial statements (continued)

For the year ended 31 December 2015

9. Provision for liabilities and charges (continued)

This provision relates to anticipated compensation payments in respect of products sold in the past where best advice may not have been given to the customer Charge for the year represents the increase in the provision for the year while Other movements relate to a partial release of existing provisions There is uncertainty over the quantum of the required provision, the outcome of which could potentially affect the Company's ability to continue as a going concern were it not for the support being provided by the Company's ultimate parent undertaking, Lloyds Banking Group plc The board has received a letter of support confirming that Lloyds Banking Group plc will continue to maintain the Company in a position to meet its obligations, including financial liabilities as they fall due and ongoing capital obligations

10. Deferred tax liability

The movement in the Deferred tax liability is as follows

	2015 £'000	2014 £'000
Brought forward	**41**	23
(Credit)/charge for the year (see note 6)	**(41)**	18
At 31 December	**-**	41

The deferred tax (credit)/charge in the Statement of comprehensive income comprises the following temporary differences

	2015 £'000	2014 £'000
Accelerated capital allowances	**1**	1
Pension	**(42)**	17
	(41)	18

Deferred tax liability comprises	2015 £'000	2014 £'000
Accelerated capital allowances	-	(1)
Pension	-	42
	-	41

The Finance (No 2) Act 2015 which was substantively enacted on 26 October 2015 reduced the main tax of corporation rate to 19% with effect from 1 April 2017 and 18% from 1 April 2020

On 16 March 2016, the Government announced that the corporation tax rate applicable from 1 April 2020 would be 17% The proposed reductions in the rate of corporation tax are expected to be enacted, and the impact accounted for, during 2016

11. Share capital

	2015 £'000	2014 £'000
Allotted, issued and fully paid		
1,000,000 (2014 1,000,000) "A" ordinary shares of £1 each	**1,000**	1,000
2,000,000 (2014 2,000,000) "B" ordinary shares of £1 each	**2,000**	2,000
	3,000	3,000

At 31 December 2015, the authorised share capital of the Company was £5,000,000 divided into 3,000,000 "A" ordinary shares of £1 each and 2,000,000 "B" ordinary shares of £1 each

Notes to the financial statements (continued)

For the year ended 31 December 2015

12. Related party transactions

The Company is controlled by Lloyds Bank Private Banking Limited A number of transactions are entered into with related parties in the normal course of business A summary of the outstanding balances at the year end and the related income for the year are set out below

	2015 £'000	Restated 2014 £'000
Amounts due from group undertakings		
Amounts due from immediate parent undertakings (see note 7)	**583**	-
Amounts due to group undertakings		
Amounts owed to immediate parent undertaking (see note 8)	-	782
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**13,050**	14,310
Interest income		
Cash deposits placed with Lloyds Bank plc (see note 4)	**22**	34

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

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company Accordingly, key management is comprised of the directors of the Company and the members of the Lloyds Banking Group plc board Other than as set out below, there were no transactions between the Company and key management personnel during the current year or preceding year Members of Lloyds Banking Group plc board are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group

Key management personnel emoluments

	2015 £'000	2014 £'000
Short term employee benefits	**17**	149
Post employment benefits	**1**	8
	18	157

UK Government

In January 2009, the UK government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer HM Treasury's interest fell below 20% on 11 May 2015 As a consequence, HM Treasury is no longer considered to have a significant influence and ceased to be a related party of the Company for IAS 24 Related Party Disclosures purposes at that date

13 Financial risk management

The directors are responsible for establishing a framework for evaluating, measuring, monitoring and controlling risk They are responsible for ensuring that the risks within the business are identified, assessed, monitored and controlled These controls and procedures where relevant comply with the Group policies and standards

13 1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligation is considered to be Balance sheet carrying amount of Cash and cash equivalents £13,050,000 (2014 £14,310,000) The Company's financial assets have no amounts past due or impaired (2014 nil), and are considered to be of good credit quality

Notes to the financial statements (continued)
For the year ended 31 December 2015

13 Financial risk management (continued)

13 2 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due All financial liabilities are repayable on demand

13 3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the re-pricing of financial assets and liabilities The Company has transferred its exposure to changes in interest rates to Lloyds Bank plc, its intermediate parent undertaking and does not retain any significant exposure in relation to those interest rate risks transferred Accordingly, no quantitative analysis of the risk is presented The Company has no material exposure to any other interest rate risk

13 4 Financial strategy

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

13 5 Fair values of financial assets and liabilities

The fair value of financial assets and financial liabilities is the approximation of their carrying amounts shown in the Balance sheet

14. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets

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

15 Contingent liabilities and capital commitments

There were no contracted capital commitments at the balance sheet date (2014 £nil)

The Company is periodically subject to potential and actual litigation, the outcome of which is frequently uncertain as to timing and whether any liability or assets exists Management reviews the relevant cases and consults with in-house and external legal counsel, as appropriate

There are claims and possible claims against the Company as at 31 December 2015 Due to inherent uncertainties involved in determining whether the Company has a present obligation and because the amount cannot be readily quantified, no provisions have been made at the year end except as disclosed in notes 2 and 9

Whilst the Directors consider that the liabilities are fairly stated on the basis of the information currently available to them, significant adjustments may be required as actual claims and possible claims develop

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities This includes open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law which might lead to additional tax A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Lloyds Banking Group, which ceased trading on 31 December 2010 In the second half of 2013 HMRC informed the Lloyds Banking Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims, if HMRC's position is found to be correct, management estimate that this would result in an increase in the Company's current tax liability of approximately £899,000 The Lloyds Banking Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due on the Company

16 Post balance sheet events

There are no post balance sheet events requiring disclosure in these financial statements

17 Restatement of comparatives

The following items have been restated in the 2014 comparatives Details of amounts and account items affected are provided below

	Restated £'000	Adjustment £'000	Previously reported £'000
Balance sheet			
At 1 January 2013			
Other current assets	**121**	-	121
Retained earnings	**1,226**	-	1,226
At 31 December 2013			
Other current assets	**4,959**	522	4,437
Retained earnings	**6,461**	522	5,939
At 31 December 2014			
Borrowed funds	**782**	(522)	1,304
Retained earnings	**4,109**	522	3,587

The amount of £522k was incorrectly classified as an intercompany balance in the 2014 statutory accounts, when it should have been a reduction to the provision balance The 2014 comparatives have been restated to reflect the correct provision as at 31 December 2014 by releasing the £522k to the income statement in that year

The restatement has had a £nil impact on the profit before and £522k impact on net assets in 2014

18. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2015 and have not been applied in preparing these financial statements

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued September 2014)	A collection of amendments to IFRSs from the 2012 - 2014 cycle of the annual improvements projects	Annual periods beginning on or after 1 January 2016
Annual improvement to IFRSs (issued December 2013)	A collection of amendments to IFRSs from the 2010 - 12 cycle of the annual improvements projects	Annual periods beginning on or after 1 February 2015
Amendment to IAS 19 ' Defined Benefit Plans Employee Contributions'	These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary	Annual periods beginning on or after 1 February 2015

18. Future developments (continued)

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments' [1]	Replaces IAS 39 Financial Instruments Recognition and Measurement IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised costs, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39	Annual periods beginning on or after 1 January 2018

1 At the date of this report this pronouncement was awaiting EU endorsement

The full impact of these pronouncements is being assessed by the Company However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements

19 Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Bank Private Banking Limited (incorporated in England and Wales) The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN