Lloyds UDT Limited

Annual report and accounts
for the year ended 31 December 2016

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00216649

Current directors

G Ferguson
C K Sarfo-Agyare

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2016

The directors present their report and the audited financial statements of Lloyds UDT Limited ("the Company") for the year ended 31 December 2016.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 00216649).

The Company provides management and financial services to subsidiary and fellow undertakings.

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

Dividends

No dividends were paid or proposed during the year ended 31 December 2016 (2015: £18,400,000).

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:

M F Fleming	(resigned 5 December 2016)

Company Secretary

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

D D Hennessey	(appointed 11 January 2017)
P Gittins	(resigned 11 January 2017)

Information included in the Strategic report

The disclosures for Principal risks and uncertainties and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 3.

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company 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 directors who join 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 have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods 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 Annual report and accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

Directors' report (continued)

For the year ended 31 December 2016

Statement of directors' responsibilities (continued)

- 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.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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:

C K Sarfo-Agyare
Director

25th September 2017

Strategic report

For the year ended 31 December 2016

The directors present their Strategic report of the Company for the year ended 31 December 2016.

Business overview

The Company's results for the year show a Profit before tax of £16,121,000 (2015: £13,792,000) and Net interest income of £14,275,000 (2015: £12,180,000) while the Company's net assets total is £24,088,000 (2015: £11,211,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Consumer Finance Division, which is part of the Group. While these risks are not managed separately for the Company, Consumer Finance is is a portfolio of businesses and operates in a number of specialist markets providing consumer lending and contract hire to personal and corporate customers. Further details of risk management policies are contained in note19 to the financial statements.

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. KPIs are monitored and reported at a divisional level.

Future outlook

The Company ceased to write new hire purchase and loan business in 2007 and stocking business in 2013 and the carrying value of Loans and advances to customers has reduced to nil. The Company will continue to provide management and financial services to fellow group undertakings.

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

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

C K Sarfo-Agyare
Director

25th September 2017

Independent auditors' report to the member of Lloyds UDT Limited

Report on the financial statements

Our opinion

In our opinion, Lloyds UDT 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 2016 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 2016;
- the Statement of comprehensive income for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- 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 the 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.

Opinions on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

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.

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 pages 1 and 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.

With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

M R Ellis

Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

25th September 2017

Statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Interest income		**19,692**	17,303
Interest expense		**(5,417)**	(5,123)
Net interest income	3	**14,275**	12,180
Fees and commission expense		**(152)**	(265)
Other operating income	4	**2,279**	1,976
Impairment gains		**-**	2
Other operating expenses	5	**(281)**	(101)
Profit before tax		**16,121**	13,792
Taxation	8	**(3,244)**	(2,813)
Profit for the year, being total comprehensive income		**12,877**	10,979

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

Balance sheet
As at 31 December 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Cash and cash equivalents	10	**1,044**	-
Other current assets	11	**676,508**	615,879
Investment in subsidiary undertakings	12	**-**	-
Property, plant and equipment	13	**1,799**	1,900
Deferred tax asset	14	**-**	-
Total assets		**679,351**	617,779
LIABILITIES			
Borrowed funds	15	**651,842**	603,848
Other current liabilities	16	**177**	-
Current tax liability		**3,244**	2,720
Total liabilities		**655,263**	606,568
EQUITY			
Share capital	17	**-**	-
Retained earnings		**24,088**	11,211
Total equity		**24,088**	11,211
Total equity and liabilities		**679,351**	617,779

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

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

C K Sarfo-Agyare
Director

25th September 2017

Statement of changes in equity

For the year ended 31 December 2016

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	-	18,632	18,632
Profit for the year being total comprehensive income	-	10,979	10,979
Dividend paid to equity holders of the Company	-	(18,400)	(18,400)
At 31 December 2015	**-**	**11,211**	**11,211**
Profit for the year being total comprehensive income	-	12,877	12,877
At 31 December 2016	**-**	**24,088**	**24,088**

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

Cash flow statement

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows generated from/(used in) operating activities		
Profit before tax	**16,121**	13,792
Adjustments for:		
- Interest expense	**5,417**	5,123
- Depreciation	**101**	101
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	**-**	4
- Net increase in Other current assets	**-**	(182,755)
- Net increase in Other current liabilities	**177**	-
Cash generated from/(used in) operations	**21,816**	(163,735)
Group relief paid	**(2,720)**	(4,532)
Net cash generated from/(used in) operating activities	**19,096**	(168,267)
Cash flows generated from investing activities		
Proceeds from disposal of subsidiary undertakings	**-**	100
Net cash generated from investing activities	**-**	100
Cash flows (used in)/generated from financing activities		
(Repayment of)/Proceeds from net borrowings with group undertakings	**(11,804)**	194,007
Dividend paid	**-**	(18,400)
Interest expense	**(5,417)**	(5,123)
Net cash (used in)/generated from financing activities	**(17,221)**	170,484
Change in Cash and cash equivalents	**1,875**	2,317
Net bank overdrafts at beginning of year	**(831)**	(3,148)
Cash and cash equivalents/(net bank overdrafts) at end of year	**1,044**	(831)
Cash and cash equivalents/(net bank overdrafts) comprise		
Cash at bank	**1,044**	-
Bank overdrafts (see note 15)	**-**	(831)
Cash and cash equivalents/(net bank overdrafts)	**1,044**	(831)

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 2016

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:

(i) Annual improvement to IFRSs (issued December 2013). A collection of amendments to IFRSs from the 2010 - 12 cycle of the annual improvements projects.

(ii) Annual improvement to IFRSs (issued December 2014). A collection of amendments to IFRSs from the 2012 - 14 cycle of the annual improvements projects.

(iii) Amendment to IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

(iv) Amendments to IAS 1: Disclosure Initiative (issued December 2014). The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.

(v) Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets': Clarification of Acceptable Methods of Depreciation and Amortisation (issued May 2014). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.

The application of these pronouncements has 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 2016 and which have not been applied in preparing these financial statements are given in note 23. No standards have been early adopted.

These separate financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

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

Income and expense from financial assets

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1. Accounting policies (continued)

1.2 Income recognition (continued)

Fees and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate (such as commission associated with the sale of insurance underwritten by a third party) are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Cash and cash equivalents. Financial liabilities comprise Amounts due to group undertakings, Bank overdraft with group undertaking and Other current liabilities.

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 Impairment

Loans and advances to customers

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, such as an improvement in the borrower's credit rating, the provision is adjusted and the amount of the reversal is recognised in the Statement of comprehensive income.

When a loan or advance is uncollectable, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the Statement of comprehensive income on a cash receipts basis.

1.5 Property, plant and equipment

Property, plant and equipment is included at historical purchase cost less depreciation and any impairment allowance. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The value of land is not depreciated. Depreciation is calculated using the straight line method to allocate the difference between the cost and expected residual value over their estimated useful lives, as follows:

Freehold building - 50 years.

1.6 Dividends

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

1.7 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. Accounting policies (continued)

1.8 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.

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. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 and current tax assets and liabilities are offset 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.

1.9 *Investment in subsidiary undertakings*

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use.

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.

There are no significant estimates or judgements that have been used in the preparation of these financial statements.

3. Net interest income

	2016	2015
	£'000	£'000
Interest income		
Group interest income (see note 18)	**19,692**	17,303
Interest expense		
Group interest expense (see note 18)	**(5,417)**	(5,123)
Net interest income	**14,275**	12,180

Included within Interest income is £nil (2015: £nil) in respect of impaired financial assets.

4. Other operating income

	2016	2015
	£'000	£'000
Management fees receivable (see note 18)	**2,279**	1,976

5. Other operating expenses

	2016 £'000	2015 £'000
Depreciation (see note 13)	**101**	101
Other operating expenses	**180**	-
	281	101

Fees payable to the Company's auditors for the audit of the financial statements of £7,000 (2015: £7,000) have been borne by a fellow group undertaking and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are recharged to the Company as part of Management fees.

6. Staff costs

The Company did not have any employees during the year (2015: none).

7. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2015: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 18).

8. Taxation

	2016 £'000	2015 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	**3,244**	2,808
UK deferred tax:		
- Origination and reversal of timing differences (see note 14)	**-**	5
Tax charge	**3,244**	2,813

Corporation tax is calculated at a rate of 20.00% (2015: 20.25%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the year is given below:

	2016 £'000	2015 £'000
Profit before tax	**16,121**	13,792
Tax charge thereon at UK corporation tax rate of 20.00% (2015: 20.25%)	**3,224**	2,793
Factors affecting charge:		
- Disallowed and non-taxable items	**20**	20
Tax charge on profit on ordinary activities	**3,244**	2,813
Effective rate	**20.12%**	20.40%

9. Dividends

No dividends were declared or paid in 2016. In 2015, dividends totalling £4,600,000 per share weere paid, representing a total dividend of £18,400,000.

10. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash flow statement include the following:

	2016 £'000	2015 £'000
Cash and cash equivalents with group undertakings (see note 18)	**1,044**	-

11. Other current assets

	2016 £'000	2015 £'000
Amounts due from group undertakings (see note 18)	**676,508**	615,879

Amounts due from group undertakings are unsecured, interest bearing and repayable on demand. Net amounts due from/to Lloyds Bank plc are interest bearing at variable rates based on Bank of England base rate or the 5 year swap rate. Amounts due from other fellow group undertakings are interest bearing at fixed rate.

12. Investments in subsidiary undertakings

	2016 £'000	2015 £'000
Cost		
Cost brought forward	-	100
Disposals	-	(100)
Cost at 31 December	-	-
Carrying value of investments at 31 December	-	-

Subsidiary undertakings	**Country of incorporation**	**Company interest %**	**Principal activities**
Lloyds UDT Rentals Limited	Scotland	100.00%	Leasing

The Company's interest in this entity is in the form of ordinary share capital. Lloyds UDT Rentals Limited has an accounting reference date of 31 March.

The registered address is Finance House, Orchard Brae, Edinburgh, EH4 1PF.

13. Property, plant and equipment

	Buildings £'000	Land £'000	Total £'000
Cost			
At 1 January 2015, 31 December 2015 and 31 December 2016	5,038	171	5,209
Accumulated depreciation			
At 1 January 2015	3,208	-	3,208
Charge for the year (see note 5)	101	-	101
At 31 December 2015	3,309	-	3,309
Charge for the year (see note 5)	101	-	101
At 31 December 2016	3,410	-	3,410
Balance sheet amount at 31 December 2016	**1,628**	**171**	**1,799**
Balance sheet amount at 31 December 2015	1,729	171	1,900

Included in Property, plant and equipments is land with a net book value of £171,000 (2015: £171,000) which is not depreciated.

14. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2016 £'000	2015 £'000
Brought forward	-	5
Charge for the year (see note 8)	-	(5)
At 31 December	-	-

The deferred tax charge in the Statement of comprehensive income comprises the following temporary differences:

	2016 £'000	2015 £'000
Other temporary differences	-	(5)

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

The Finance Act 2016, which was substantively enacted on 6 September 2016, further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

15. Borrowed funds

	2016 £'000	2015 £'000
Amounts due to group undertakings (see note 18)	**651,842**	603,017
Bank overdraft with group undertakings (see note 18)	-	831
	651,842	603,848

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Net amounts due to/from Lloyds Bank plc are interest bearing at variable rates based on Bank of England base rate or the 5 year swap rate. Amount due to Black Horse Finance Holdings Limited are interest bearing at variable rates. Amounts due to fellow group undertakings are are non-interest bearing.

16. Other current liabilities

	2016 £'000	2015 £'000
Other creditors	**177**	-

17. Share capital

	2016 £'000	2015 £'000
Allotted, issued and fully paid		
4 ordinary shares of £0.25 each	-	-

18. Related party transactions

The Company is controlled by the Consumer Finance Division. A number of transactions are entered into with related parties in the normal course of business. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related income and expense for the year are set out below.

	2016 £'000	2015 £'000
Amounts due from group undertakings		
Lloyds Bank plc	**659,941**	588,365
Fellow group undertakings	**16,567**	27,514
Total Amounts due from group undertakings (see note 11)	**676,508**	615,879
Amounts due to group undertakings		
Lloyds Bank plc	**536,407**	526,798
Black Horse Finance Holdings Limited	**749**	748
Fellow group undertakings	**114,686**	75,471
Total Amounts due to group undertakings (see note 15)	**651,842**	603,017
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc (see note 10)	**1,044**	-
Bank overdraft with group undertakings		
Lloyds Bank plc (see note 15)	-	831
Interest income		
Fellow group undertakings (see note 3)	**19,692**	17,303
Interest expense		
Lloyds Bank plc	**5,415**	4,814
Black Horse Finance Holdings Limited	**2**	309
Total Interest expense (see note 3)	**5,417**	5,123
Management fees		
Fellow group undertakings (see note 4)	**2,279**	1,976

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.

18. Related party transactions (continued)

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, the directors of the Consumer Finance Division and the members of the Lloyds Banking Group plc board. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel 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.

19. Financial risk management

The Company's operations expose it to liquidity risk and interest rate risk; it is not exposed to any significant credit risk, market risk, business risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by Consumer Finance and the ultimate parent, Lloyds Banking Group plc. Liquidity risk and interest rate risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company.

A description of the Company's financial assets/liabilities and associated accounting is provided in note 1.

19.1 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. To manage this risk extensive borrowing facilities are available from within the Group.

Liquidity risks are managed as part of the Group by the intermediate parent company, Lloyds Bank plc, in consultation with the board of directors. Monthly reviews of funding positions are undertaken to anticipate any shortfalls.

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

19.2 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 repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to fluctuations in the Bank of England base rate and a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

Interest rate risk - sensitivity analysis

If the Bank of England base rate increased by 0.25% and all other variables remain constant this would increase Interest expense by £6,000 (2015: £9,000) and accordingly decrease Interest expense by £6,000 (2015: £9,000) if the Bank of England base rate decreased by the same amount. A 0.25% increase or decrease is used to assess the possible change in Interest expense, as the Bank of England base rate generally increases or decreases in increments of 0.25%.

19.3 Financial strategy

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

19.4 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

20. 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.

21. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the balance sheet date (2015: £nil).

22. Post balance sheet events

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

23. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2016 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments'	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 cost, 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
Minor amendments to other accounting standards	During 2016, the IASB has issued amendments to IAS 7 Statement of Cash Flows (which require additional disclosure about an entity's financing activities) and IAS 12 Income Taxes (which clarify when a deferred tax asset should be recognised for unrealised losses) together with a number of other minor amendments to IFRSs.	Annual periods beginning on or after 1 January 2017

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.

24. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Finance Holdings 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. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.