Carlease Limited

Annual report and accounts
for the year ended 31 October 2015

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

461898

Directors

G Ferguson

Company Secretary

P Gittins

6/5/16

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Member of Lloyds Banking Group

Directors' report

For the year ended 31 October 2015

The directors present their report and the audited financial statements of Carlease Limited ("the Company") for the year ended 31 October 2015

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number 461898)

The Company provides a range of finance lease products for corporate customers

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 integrated with the principal risks of Asset Finance ("AF"), which is a part of the Consumer Finance Division of the Group, and are not managed separately for the Company Further details of the Company's and AF's risk management policy are contained in note 2 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 and are disclosed in the financial statements for Black Horse Limited, which is the main trading company in AF

Future outlook

The Company ceased to write new business in September 2004 Accordingly the carrying value of loans and advances to customers (and the associated income) has continued to reduce as individual lease agreements expire and assets are disposed of

Dividends

No dividends were paid or proposed during the year ended 31 October 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 directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on the cover

The following changes have taken place during the year or since the year end

C K Sarfo-Agyare	(resigned 16 December 2014)
C Sutton	(resigned 16 December 2014)
M J D Griffiths	(deceased 19 December 2015)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company, including former directors who retired 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 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

Directors' report (continued)

For the year ended 31 October 2015

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

Independent auditors

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

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

Approved by the board of directors and signed by its order by

G Ferguson
Director

11 April 2016

Independent auditors' report to the member of Carlease Limited

Report on the financial statements

Our opinion

In our opinion, Carlease Limited's financial statements (the "financial statements")

- give a true and fair view of the state of the Company's affairs as at 31 October 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

Carlease Limited's financial statements comprise

- the Balance sheet as at 31 October 2015,
- the Statement of comprehensive income for the year then ended,
- the Statement of changes in equity for the year then ended,
- the Cash flow statement 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 their preparation comprises applicable law and IFRSs as adopted by the European Union

In applying the financial reporting framework, the director has 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 if, in our opinion, certain disclosures of directors' remuneration specified by law have not been 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 director was not entitled to take advantage of the small companies exemption in preparing the Directors' report, and 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 Carlease Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the director

As explained more fully in the Statement of directors' responsibilities set out on page 2, the director is 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 director, and
- the overall presentation of the financial statements

We primarily focus our work in these areas by assessing the director's 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

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

11 April 2016

Statement of comprehensive income

For the year ended 31 October 2015

	Note	2015 £'000	2014 £'000
Interest income		**37**	41
Interest expense		**(1)**	(3)
Net interest income	4	**36**	38
Other operating income		**-**	16
Profit before tax		**36**	54
Taxation	8	**(24)**	(15)
Profit for the year attributable to owners of the parent, being total comprehensive income		**12**	39

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

Balance sheet
As at 31 October 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Other current assets	9	**1,092**	1,071
Loans and advances to customers	10	**8**	15
Deferred tax asset	11	**427**	542
Total assets		**1,527**	1,628
LIABILITIES			
Borrowed funds	12	**390**	404
Other current liabilities		**5**	5
Current tax liability		**147**	246
Total liabilities		**542**	655
EQUITY			
Share capital	13	**-**	-
Retained earnings		**985**	973
Total equity		**985**	973
Total equity and liabilities		**1,527**	1,628

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

G Ferguson
Director

11 April 2016

Statement of changes in equity

For the year ended 31 October 2015

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 November 2013	-	934	934
Profit for the year being total comprehensive income	-	39	39
At 31 October 2014	-	**973**	**973**
Profit for the year being total comprehensive income	-	12	12
At 31 October 2015	-	**985**	**985**

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

Cash flow statement

For the year ended 31 October 2015

	2015 £'000	2014 £'000
Cash flows generated from operating activities		
Profit before tax	**36**	54
Adjustments for		
- Interest paid	**1**	3
Changes in operating assets and liabilities		
- Net decrease in Loans and advances to customers	**7**	87
- Net (increase)/decrease in Other current assets	**(21)**	63
- Net increase in Other current liabilities	**-**	5
Cash generated from operations	**23**	212
Interest paid	**(1)**	(3)
Group relief paid	**(8)**	(90)
Net cash generated from operating activities	**14**	119
Cash flows used in financing activities		
Repayment of borrowings with group undertakings	**(14)**	(119)
Net cash used in financing activities	**(14)**	(119)
Change in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

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 October 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 pronouncement relevant to the Company has been adopted in these financial statements

- Annual improvement to IFRSs (issued December 2013) A collection of amendments to IFRSs from the 2010 - 12 and 2011 - 13 cycle of the annual improvements projects

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 October 2015 and which have not been applied in preparing these financial statements are given in note 19 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

Income 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

Lease classification

Lease agreements are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee, all other leases are classified as operating leases

When assets are leased under a finance lease, the net present value of the lease payments plus any guaranteed residual value payments, where applicable, is recognised as a receivable within Loans and advances to customers The difference between the gross receivable and the present value of the receivable is recognised as unearned finance lease income

Finance lease income

Finance lease income is recognised over the lease term using the net investment method so as to reflect a constant periodic rate of return on the Company's net investment in the lease Initial direct incremental costs attributed to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term

When calculating the effective interest rate, the future cash flows are estimated after considering all the contractual terms of the agreement but not future credit losses The calculation includes all amounts received or paid by the Company that are an integral part of the overall return such as acceptance and, where relevant, early settlement fees as well as direct incremental transaction costs related to the acquisition, issue or disposal of a financial instrument and all other premiums or discounts

Notes to the financial statements (continued)

For the year ended 31 October 2015

1 Accounting policies (continued)

1 3 Financial assets and liabilities

Financial assets comprise Loans and advances to customers and Other current assets Financial liabilities comprise Borrowed funds 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 there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently

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 uncollectible, 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 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 6 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 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

Notes to the financial statements (continued)

For the year ended 31 October 2015

2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, and business risk, it is not exposed to any significant market 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 an intermediate parent company, Lloyds Bank Asset Finance Limited, and the ultimate parent, Lloyds Banking Group plc Interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Division's credit committee and credit functions Business risk is managed through regular reporting and oversight

2 1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due The credit risk associated with instalment credit contracts and operating leases is managed through the application of strict underwriting criteria, determined by AF's credit committee and credit functions Significant credit exposures are measured and reported on a regular basis Impairment provisions are provided for losses that have been incurred at the balance sheet date

For loans and advances, credit risk arises both from amounts lent and commitments to extend credit to a customer, principally loan commitments

In measuring the credit risk of loans and advances, the Company reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations, (ii) current exposures to the counterparty and their likely future development, from which the Company derives the 'exposure at default', and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default')

Credit risk mitigation

- Credit principles and policy Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy Principles and policy are reviewed regularly and any changes are subject to a review and approval process Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions

- Concentration risk Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors At a divisional level, exposures are monitored to prevent excessive concentration of risk These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements

- Stress testing and scenario analysis at a divisional level The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact

- Counterparty limits Credit risk in wholesale portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward Divisional exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities

2.2 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 an intermediate parent company, Lloyds Bank plc, in consultation with the board of directors Monthly reviews of funding positions are undertaken to anticipate any shortfalls

2.3 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 repricing of financial assets and liabilities Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been provided in note 15 3

2.4 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary

3. 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

Deferred tax

The recoverability of the Deferred tax asset requires the consideration of the level of forecast taxable profits in the Group, taking into account the Group's long term financial and strategic plans

The Deferred tax asset has been recognised on the basis that tax losses arising in the future will be used by the Company against taxable profits or surrendered as group relief which will be paid for by the recipient company

4 Net interest income

	2015 £'000	2014 £'000
Interest income		
From finance lease contracts	**17**	16
Group interest income (see note 14)	**20**	25
	37	41
Interest expense		
Group interest expense (see note 14)	**(1)**	(3)
Net interest income	**36**	38

Included within Interest income is £nil (2014 £nil) in respect of impaired financial assets

5 Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2014 £1,000) have been borne by a fellow group company and are not recharged to the Company Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company

6 Staff costs

The Company did not have any employees during the year (2014 none)

7 Directors' emoluments

No director received any fees or emoluments from the Company during the year (2014 £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 14)

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

8. Taxation

a) Analysis of charge for the year

	2015 £'000	2014 £'000
UK corporation tax		
- Current tax on taxable (loss)/profit for the year	(87)	52
- Adjustments in respect of prior years	(4)	-
Current tax (credit)/charge	(91)	52
UK deferred tax		
- Origination and reversal of timing differences	95	(40)
- Impact of deferred tax rate change	20	3
Deferred tax charge/(credit) (see note 11)	115	(37)
	24	15

Corporation tax is calculated at a rate of 20 42% (2014 21 83%) of the taxable profit for the year

b) Factors affecting the tax charge for the year

Where taxation on the Company's profit for the year differs from the taxation charge that would arise using the standard rate of corporation tax of 20 42% (2014 21 83%), the differences are explained below

	2015 £'000	2014 £'000
Profit before tax	36	54
Tax charge thereon at UK corporation tax rate of 20 42% (2014 21 83%)	7	12
Factors affecting charge		
- Adjustments in respect of prior years	(4)	-
- Effect of reduction in tax rate and related impacts	21	3
Tax on profit on ordinary activities	24	15
Effective rate	66 7%	27 8%

9. Other current assets

	2015 £'000	2014 £'000
Amounts due from group undertakings (see note 14)	1,092	1,071
	1,092	1,071

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

10. Loans and advances to customers

	2015 £'000	2014 £'000
Advances under finance lease and hire purchase contracts	8	15
Gross loans and advances to customers	8	15
Less allowance for losses on loans and advances	-	-
Net loans and advances to customers	8	15
of which		
Due within one year	8	8
Due after one year	-	7
	8	15

Loans and advances to customers include finance lease and hire purchase receivables

	2015 £'000	2014 £'000
Gross investment in finance lease and hire purchase contracts receivable		
- no later than one year	8	8
- later than one year and no later than five years	-	8
- later than five years	-	-
	8	16
Unearned future finance income on finance lease and hire purchase contracts	-	(1)
Net investment in finance lease and hire purchase contracts	8	15

The net investment in finance lease and hire purchase contracts may be analysed as follows

	2015 £'000	2014 £'000
- no later than one year	8	8
- later than one year and no later than five years	-	7
- later than five years	-	-
	8	15

The unguaranteed residual value is £nil (2014 £nil)

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment The leases typically run for periods of between 3 and 12 years

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2014 £nil)

Further analysis of Loans and advances to customers is provided in note 15

11. Deferred tax asset

The movement ın the Deferred tax asset ıs as follows

	2015 £'000	2014 £'000
Brought forward	542	505
(Charge)/credıt for the year (see note 8)	(115)	37
At 31 October	427	542

The deferred tax (charge)/credıt ın the Statement of comprehensıve ıncome comprıses the followıng temporary dıfferences

	2015 £'000	2014 £'000
Accelerated capıtal allowances	(115)	37

Deferred tax asset comprıses	2015 £'000	2014 £'000
Accelerated capıtal allowances	427	542

The Fınance Act 2013 ("the Act") was substantıvely enacted on 2 July 2013 The Act further reduced the maın rate of corporatıon tax to 21% wıth effect from 1 Aprıl 2014 and 20% wıth effect from 1 Aprıl 2015

The Fınance Act 2015 whıch was substantıvely enacted on 26 October 2015 ıncluded legıslatıon to reduce the corporatıon tax rate applıcable from 1 Aprıl 2017 to 19% and from 1 Aprıl 2020 to 18%

12. Borrowed funds

	2015 £'000	2014 £'000
Amounts due to group undertakıngs (see note 14)	390	404

Amounts due to group undertakıngs are unsecured and repayable on demand, although there ıs no expectatıon that such a demand would be made Amounts due to Lloyds UDT Lımıted are ınterest bearıng at fixed rates set at the ınceptıon of lease agreements

13. Share capital

	2015 £'000	2014 £'000
Allotted, ıssued and fully paıd		
ordınary shares of each	-	-

Notes to the financial statements (continued)

For the year ended 31 October 2015

14. Related party transactions

The Company is controlled by Black Horse Finance Holdings Limited 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

	2015 £'000	2014 £'000
Amounts due from group undertakings		
United Dominions Trust Limited (see note 9)	**1,092**	1,071
Amounts due to group undertakings		
Lloyds UDT Limited (see note 12)	**390**	404
Interest income		
United Dominions Trust Limited (see note 4)	**20**	25
Interest expense		
Lloyds UDT Limited (see note 4)	**1**	3

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 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

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, no longer being considered to have a significant influence, ceased to be a related party of the Company for IAS 24 purposes at that date

15. Financial risk management

A description of the nature and mitigation of key risks facing the Company is provided in note 2 A description of the Company's financial assets/liabilities and associated accounting is provided in note 1

15 1 Credit risk

Credit concentration - Loans and advances to customers

The Company lends predominantly to wholesale customers (being motor traders and corporate customers) geographically located in the United Kingdom

Notes to the financial statements (continued)

For the year ended 31 October 2015

15. Financial risk management (continued)

15 1 Credit risk (continued)

Loans and advances to customers – maximum exposure

	2015 £'000	2014 £'000
Neither past due nor impaired	7	13
Past due but not impaired	1	2
Impaired	-	-
Maximum exposure – loans and advances	8	15

Loans and advances to customers which are neither past due nor impaired

	2015 £'000	2014 £'000
Good quality	7	13
Satisfactory quality	-	-
Lower quality	-	-
Below standard, but not impaired	-	-
Total	7	13

In general, good quality lending comprises those balances with a lower probability to default rating assigned and the rating progressively increases for each category exhibiting a progressively higher probability to default

Loans and advances to customers which are past due but not impaired

	2015 £'000	2014 £'000
Past due up to 30 days	1	2
Past due from 30-60 days	-	-
Past due from 60-180 days	-	-
Total	1	2

Past due is defined as failure to make a payment when it falls due

Allowance for loans and advances to customers which are impaired

The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1 4 All Loans and advances to customers are individually assessed for impairment

Repossessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles and other plant and machinery The Company does not take physical possession of any collateral, instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2014 £nil)

15 Financial risk management (continued)

15 2 Liquidity risk

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

15 3 Interest rate risk

As the Company is exposed to interest rate fluctuations a sensitivity analysis has been prepared to illustrate the impact of a change in the rates

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due from group undertakings and takes account of movement in market swap rates which is the basis for the interest rate on intercompany balances A 0 30% (2014 0 60%) increase or decrease is used to assess the possible change in Interest income This rate is appropriate as it is the amount by which the market swap rates increased in the year

If market swap rates increased by 0 30% (2014 0 60%) and all other variables remain constant this would increase Interest income by £3,000 (2014 £7,000) and accordingly decrease Interest income by £3,000 (2014 £7,000) if swap rates decreased by the same amount

15 4 Financial strategy

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

15 5 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

Fair values of Loans and advances to customers are estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the balance sheet date

The aggregated fair value of Loans and advances to customers is approximately £8,000 (2014 £15,000)

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

16. 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

17. Contingent liabilities and capital commitments

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

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

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 £36,000 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

18 Post balance sheet events

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

Apart from the tax rate changes discussed in note 11, there are no other post balance sheet events requiring disclosure in these financial statements

19. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 October 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
IFRS 9 Financial Instruments Classification and Measurement [1]	Replaces those parts of IAS 39 Financial Instruments Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities Requires financial assets to be classified into two measurement categories, fair value 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 instrument The available-for-sale financial asset and held-to-maturity categories in the existing IAS 39 will be eliminated The requirements for financial liabilities and derecognition are broadly unchanged from 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

20. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Finance Holdings Limited 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