

Lloyds UDT Hiring Limited

**Annual report and accounts
for the year ended 31 July 2016**

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00639612

Current directors

G Ferguson

Company Secretary

P Gittins



Member of Lloyds Banking Group

Directors' report

For the year ended 31 July 2016

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

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 00639612).

The Company provides a range of operating and 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 the Consumer Finance Division. While these risks are not managed separately for the Company, Consumer Finance 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 note 15 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 business in 2003. Accordingly, the carrying value of Loans and advances to customers (and associated income) will continue to reduce as individual lease agreements expire and assets are disposed of. All leases are in the secondary rental period.

Dividends

No dividends were paid or proposed during the year ended 31 July 2016 (2015: £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:

M J D Griffiths (deceased 19 December 2015)

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.

Directors' report (continued)

For the year ended 31 July 2016

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 on its behalf by:



G Ferguson
Director

22 November 2016

Independent auditors' report to the member of Lloyds UDT Hiring Limited

Report on the financial statements

Our opinion

In our opinion, Lloyds UDT Hiring Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 July 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 July 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 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 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 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 Lloyds UDT Hiring 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.



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

22 November 2016

Statement of comprehensive income

For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Interest income		22	38
Interest expense		(6)	(8)
Net interest income	3	16	30
Other operating expenses	4	-	-
Profit before tax		16	30
Taxation	7	(2)	(6)
Profit for the year attributable to owners of the parent, being total comprehensive income		14	24

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

Balance sheet

As at 31 July 2016

	Note	2016 £'000	2015 £'000
ASSETS			
Other current assets	8	1,442	1,423
Loans and advances to customers	9	3	-
Total assets		1,445	1,423
LIABILITIES			
Borrowed funds	11	401	362
Other current liabilities		2	2
Current tax liability		7	37
Deferred tax liability	12	-	1
Total liabilities		410	402
EQUITY			
Share capital	13	500	500
Retained earnings		535	521
Total equity		1,035	1,021
Total equity and liabilities		1,445	1,423

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

22 November 2016

Statement of changes in equity

For the year ended 31 July 2016

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 August 2014	500	497	997
Profit for the year being total comprehensive income	-	24	24
At 31 July 2015	500	521	1,021
Profit for the year being total comprehensive income	-	14	14
At 31 July 2016	500	535	1,035

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

Cash flow statement

For the year ended 31 July 2016

	2016 £'000	Reclassified 2015 £'000
Cash flows (used in)/generated from operating activities		
Profit before tax	16	30
Adjustments for:		
- Interest expense	6	8
Changes in operating assets and liabilities:		
- Net increase in Loans and advances to customers	(3)	-
- Net increase in Other current liabilities	-	1
Cash generated from operations	19	39
Group relief paid	(33)	(8)
Net cash (used in)/generated from operating activities	(14)	31
Cash flows generated from/(used in) financing activities		
Proceeds from/(repayment of) borrowings with group undertakings	20	(23)
Interest expense	(6)	(8)
Net cash generated from/(used in) financing activities	14	(31)
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.

The 2015 comparatives have been restated to reflect the reclassification explained in note 19.

Notes to the financial statements

For the year ended 31 July 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.

There are no new IFRS pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 July 2016 and which have not been applied in preparing these financial statements are given in note 20. 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 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.

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.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Loan and advances to customers. Financial liabilities comprise Amounts due to group undertakings 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.

Notes to the financial statements (continued)

For the year ended 31 July 2016

1. Accounting policies (continued)

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is based on the specific identification method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories include Property, plant and equipment which has returned from operating lease rental and has become held for sale.

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. Depreciation is calculated using the straight line method to allocate the difference between the cost and expected residual value over the period of the lease. The useful life of all items of Property, plant and equipment is 1 to 5 years.

Future rates of depreciation are reassessed each year in light of changes to anticipated residual values, and are amended prospectively unless the reduction in residual values are significant enough to be deemed an impairment.

1.6 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.

1.7 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.

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.

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 £'000	2015 £'000
Interest income		
From finance lease contracts	22	38
Interest expense		
Group interest expense (see note 14)	(6)	(8)
	16	30

Interest income from finance lease contracts is predominantly derived from secondary period rentals.

Notes to the financial statements (continued)

For the year ended 31 July 2016

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2015: £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.

5. Staff costs

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

6. 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 14).

7. Taxation

	2016 £'000	2015 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	3	6
Current tax charge	3	6
UK deferred tax:		
- Adjustments in respect of prior years	(1)	-
Deferred tax credit (see note 12)	(1)	-
Tax charge	2	6

Corporation tax is calculated at a rate of 20.00% (2015: 20.67%) 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 20.00% (2015: 20.67%), the differences are explained below:

	2016 £'000	2015 £'000
Profit before tax	16	30
Tax charge thereon at UK corporation tax rate of 20.00% (2015: 20.67%)	3	6
Factors affecting charge:		
- Adjustments in respect of prior years	(1)	-
Tax charge on profit on ordinary activities	2	6
Effective rate	12.50%	20.70%

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

Notes to the financial statements (continued)

For the year ended 31 July 2016

8. Other current assets

	2016 £'000	2015 £'000
Amounts due from group undertakings (see note 14)	1,442	1,423

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

9. Loans and advances to customers

	2016 £'000	2015 £'000
Gross loans and advances to customers	3	-
Less: allowance for losses on loans and advances	-	-
Net loans and advances to customers	3	-
of which:		
Due within one year	3	-
Due after one year	-	-
	3	-

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

	2016 £'000	2015 £'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	3	-
Unearned future finance income on finance lease and hire purchase contracts	-	-
Net investment in finance lease and hire purchase contracts	3	-

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

	2016 £'000	2015 £'000
- no later than one year	3	-

The unguaranteed residual value is £nil (2015: £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 15 years.

Increase in Loans and advances to customers relates to secondary period rental arrears advances under finance leases and hire purchase contracts.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2015: £nil).

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

Notes to the financial statements (continued)

For the year ended 31 July 2016

10. Property, plant and equipment

	Total £'000
Cost	
At 1 August 2014 and 31 July 2015	15
Transfer to Inventories	(15)
At 31 July 2016	-
Accumulated depreciation	
At 1 August 2014 and 31 July 2015	15
Transfer to Inventories	(15)
At 31 July 2016	-
Balance sheet amount at 31 July 2016	-
Balance sheet amount at 31 July 2015	-

Property, plant and equipment represents assets leased to customers under operating leases.

At 31 July 2016, there were no minimum rentals receivable under non-cancellable leases (2015: £nil).

During the year, no contingent rentals in respect of operating leases were recognised in the Statement of comprehensive income (2015: £nil).

11. Borrowed funds

	2016 £'000	2015 £'000
Amounts due to group undertakings (see note 14)	401	362

Amounts due to group undertakings are unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to United Dominions Trust Limited are interest bearing at historic market swap rates.

12. Deferred tax liability

The movement in the Deferred tax liability is as follows:

	2016 £'000	2015 £'000
Brought forward	1	1
Charge for the year (see note 7)	(1)	-
At 31 July	-	1
Deferred tax liability comprises:	2016 £'000	2015 £'000
Accelerated capital allowances	-	1

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.

Notes to the financial statements (continued)

For the year ended 31 July 2016

13. Share capital

	2016 £'000	2015 £'000
Allotted, issued and fully paid		
500,000 ordinary shares of £1 each	500	500

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.

	2016 £'000	2015 £'000
Amounts due from group undertakings		
Lloyds UDT Limited (see note 8)	1,442	1,423
Amounts due to group undertakings		
United Dominions Trust Limited (see note 11)	401	362
Interest expense		
United Dominions Trust Limited (see note 3)	6	8

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. 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 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.

15. Financial risk management

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

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

Notes to the financial statements (continued)

For the year ended 31 July 2016

15.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company is not exposed to significant credit risk as its transactions are substantially intergroup and all assets are considered to be high quality.

The maximum credit risk exposure of the Company in the event of the other parties failing to fulfil their obligations is considered to be the carrying amount of Other current assets totalling £1,442,000 (2015: £1,423,000). The Company's financial assets have £3,000 (2015: £nil) past due but not impaired, and are considered to be of high credit quality.

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.

Loans and advances to customers – maximum exposure

	2016 £'000	2015 £'000
Neither past due nor impaired	-	-
Past due but not impaired	3	-
Impaired	-	-
Maximum credit exposure	3	-

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

	2016 £'000	2015 £'000
Past due up to 30 days	3	-
Past due from 30-60 days	-	-
Past due from 60-180 days	-	-
Total	3	-

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

Reposessed 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 reposessed collateral in respect of defaulted debt with a value of £nil (2015: £nil).

15.2 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.

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

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 prepared to illustrate the impact of a change in the rates.

Notes to the financial statements (continued)

For the year ended 31 July 2016

15. Financial risk management (continued)

15.3 Interest rate risk (continued)

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in market swap rates which is the basis for the interest rate on intercompany balances. A 0.56% increase or decrease is used to assess the possible change in Interest expense. 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 0.56% and all other variables remain constant this would increase Interest expense by £2,000 (2015: £nil) and accordingly decrease Interest expense by £2,000 (2015: £nil) if market 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 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 contracted capital commitments at the balance sheet date (2015: £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 Group, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the 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 £ 83,000. The 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.

Notes to the financial statements (continued)

For the year ended 31 July 2016

19. Reclassification of comparatives

Interest expense has been reclassified in the Cash flow statement in the 2015 comparatives. Previously this item was reported within cash used in operating activities and is now reported within cash used in financing activities.

The reclassification has had £nil impact on the profit before or after tax, £nil impact on net assets, and has increased cash generated from operating activities and increased cash used in financing activities by £8,000.

The increase in Other current assets has been reclassified in the Cash flow statement in the 2015 comparatives. Previously this item was reported within cash generated from operations and is now reported within cash used in financing activities.

The reclassification has had £nil impact on the profit before or after tax, £nil impact on net assets, and has increased cash generated from operations and increased cash used in financing activities by £31,000.

20. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 July 2016 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
Amendments to IAS 1 'Disclosure Initiative'	The amendments provide clarification of existing IAS 1 requirements on materiality and the presentation of the financial statements and associated notes.	Annual periods beginning on or after 1 January 2016
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 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

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.

21. 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.