

# **Lloyds UDT Hiring Limited**

## **Annual report and accounts for the year ended 31 July 2017**

### **Registered office**

25 Gresham Street  
London  
EC2V 7HN

### **Registered number**

00639612

### **Current directors**

G Ferguson  
T Nash

### **Company Secretary**

D D Hennessey

Member of Lloyds Banking Group

SATURDAY



A14 \*A6ZZPQM0\* 17/02/2018 #248  
COMPANIES HOUSE

## Directors' report

For the year ended 31 July 2017

The directors present their report and the audited financial statements of Lloyds UDT Hiring Limited ("the Company") for the year ended 31 July 2017.

### General information

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

The Company provided 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, which is part of the Group. The Consumer Finance Division was integrated into the Retail Finance Division on 1 November 2017 when an internal restructure came into force. 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.

### Future outlook

The Company ceased to write new business in 2003. Accordingly, the carrying value of the 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.

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.

### Dividends

No dividends were paid or proposed during the year ended 31 July 2017 (2016: £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:

T Nash (appointed 3 August 2017)

### Company Secretary

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

P Gittins (resigned 4 May 2017)

D D Hennessey (appointed 4 May 2017)

## Directors' report (continued)

For the year ended 31 July 2017

### 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
- 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.

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

2 February

2018

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

## Report on the audit of the financial statements

---

### Opinion

In our opinion, Lloyds UDT Hiring Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 July 2017; the Statement of comprehensive income, the Cash flow statement, and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

---

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

---

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 July 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

## Independent auditors' report to the member of Lloyds UDT Hiring Limited (continued)

### Responsibilities for the financial statements and the audit

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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.

---

### Other required reporting

#### **Companies Act 2006 exception reporting**

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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

---

#### **Entitlement to exemptions**

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



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



2018

## Statement of comprehensive income

For the year ended 31 July 2017

	Note	2017 £'000	2016 £'000
Interest income	3	17	22
Interest expense	3	-	(6)
<b>Net interest income</b>	<b>3</b>	<b>17</b>	<b>16</b>
<b>Profit before tax</b>		<b>17</b>	<b>16</b>
Taxation	7	(3)	(2)
<b>Profit for the year, being total comprehensive income</b>		<b>14</b>	<b>14</b>

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

## Balance sheet

As at 31 July 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
Other current assets	8	1,454	1,442
Loans and advances to customers	9	1	3
<b>Total assets</b>		<b>1,455</b>	<b>1,445</b>
<b>LIABILITIES</b>			
Borrowed funds	11	401	401
Other current liabilities		1	2
Current tax liability		4	7
<b>Total liabilities</b>		<b>406</b>	<b>410</b>
<b>EQUITY</b>			
Share capital	13	500	500
Retained earnings		549	535
<b>Total equity</b>		<b>1,049</b>	<b>1,035</b>
<b>Total equity and liabilities</b>		<b>1,455</b>	<b>1,445</b>

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

2 February 2018

## Statement of changes in equity

For the year ended 31 July 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>At 1 August 2016</b>	500	521	1,021
Profit for the year being total comprehensive income	-	14	14
<b>At 31 July 2016</b>	500	535	1,035
Profit for the year being total comprehensive income	-	14	14
<b>At 31 July 2017</b>	500	549	1,049

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



## Cash flow statement

For the year ended 31 July 2017

	2017 £'000	2016 £'000
<b>Cash flows generated from/(used in) operating activities</b>		
Profit before tax	17	16
Adjustments for:		
- Interest expense	-	6
Changes in operating assets and liabilities:		
- Net decrease/(increase) in Loans and advances to customers	2	(3)
- Decrease in Other current liabilities	(1)	-
<b>Cash generated from operations</b>	<b>18</b>	<b>19</b>
Group relief paid	(6)	(33)
<b>Net cash generated from/(used in) operating activities</b>	<b>12</b>	<b>(14)</b>
<b>Cash flows (used in)/generated from financing activities</b>		
(Increase in)/Proceeds from net lending to group undertakings	(12)	20
Interest expense	-	(6)
<b>Net cash (used in)/generated from financing activities</b>	<b>(12)</b>	<b>14</b>
<b>Change in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of year	-	-
<b>Cash and cash equivalents at end of year</b>	<b>-</b>	<b>-</b>

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 July 2017

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

The application of these pronouncements has not had any impact on amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 July 2017 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 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.

## Notes to the financial statements (continued)

For the year ended 31 July 2017

### 1. Accounting policies (continued)

#### 1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Loans 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.

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 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

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 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 effects of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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.

### 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.

## Notes to the financial statements (continued)

For the year ended 31 July 2017

### 3. Net interest income

	2017 £'000	2016 £'000
<b>Interest income</b>		
From finance lease and hire purchase contracts	17	22
<b>Interest expense</b>		
Group interest expense (see note 14)	-	(6)
	17	16

### 4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £1,000 (2016: £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 (2016: none).

### 6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: £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

	2017 £'000	2016 £'000
<b>a) Analysis of charge for the year</b>		
UK corporation tax:		
- Current tax on taxable profit for the year	3	3
UK deferred tax:		
- Adjustments in respect of prior years	-	(1)
<b>Tax charge</b>	<b>3</b>	<b>2</b>

Corporation tax is calculated at a rate of 19.67% (2016: 20.00%) 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:

	2017 £'000	2016 £'000
Profit before tax	17	16
Tax charge thereon at UK corporation tax rate of 19.67% (2016: 20.00%)	3	3
Factors affecting charge:		
- Adjustments in respect of prior years	-	(1)
<b>Tax charge on profit on ordinary activities</b>	<b>3</b>	<b>2</b>
<b>Effective rate</b>	<b>19.67%</b>	<b>12.50%</b>

## Notes to the financial statements (continued)

For the year ended 31 July 2017

### 8. Other current assets

	2017 £'000	2016 £'000
Amounts due from group undertakings (see note 14)	1,454	1,442

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

### 9. Loans and advances to customers

	2017 £'000	2016 £'000
Gross loans and advances to customers	1	3

Loans and advances to customers at 31 July 2017 and 31 July 2016 relate to arrears which are considered to be past due but not impaired and are all due within 30 days. The unguaranteed residual value is £nil (2016: £nil).

### 10. Property, plant and equipment

	Total £'000
<b>Cost</b>	
At 1 August 2015	15
Transfer to Inventories	(15)
At 31 July 2016 and 31 July 2017	-
<b>Accumulated depreciation</b>	
At 1 August 2015	15
Transfer to Inventories	(15)
At 31 July 2016 and 31 July 2017	-
<b>Balance sheet amount at 31 July 2017</b>	-
Balance sheet amount at 31 July 2016	-

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

### 11. Borrowed funds

	2017 £'000	2016 £'000
Amounts due to group undertakings (see note 14)	401	401

Amounts due to group undertakings are unsecured, from 1 July 2016 are non-interest bearing and repayable on demand, although there is no expectation that such a demand would be made. Until 30 June 2016 interest was charged at rates based on historic market swap rates.

## Notes to the financial statements (continued)

For the year ended 31 July 2017

### 12. Deferred tax liability

The movement in the Deferred tax liability is as follows:

	2017 £'000	2016 £'000
Brought forward	-	1
Charge for the year (see note 7)	-	(1)
	-	-

The Finance (No. 2) Act 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017.

The Finance Act 2016 further reduced the main rate of corporation tax to 17% with effect from 1 April 2020.

### 13. Share capital

	2017 £'000	2016 £'000
<b>Allotted, issued and fully paid</b>		
500,000 ordinary shares of £1 each	500	500

### 14. Related party transactions

The Company is controlled by the Consumer Finance Division. The Consumer Finance Division was integrated in to the Retail Finance Division on 1 November 2017 when an internal restructure came into force. A number of transactions are entered into with related parties in the normal course of business. A summary of the outstanding balances at the year end and the related expense for the year are set out below.

	2017 £'000	2016 £'000
<b>Amounts due from group undertakings</b>		
Lloyds UDT Limited	1,453	1,442
Black Horse Limited	1	-
<b>Total Amounts due from group undertakings (see note 8)</b>	<b>1,454</b>	<b>1,442</b>
<b>Amounts due to group undertakings</b>		
United Dominions Trust Limited (see note 11)	401	401
<b>Interest expense</b>		
United Dominions Trust Limited (see note 3)	-	6

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 Consumer Finance Division. 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.

## Notes to the financial statements (continued)

For the year ended 31 July 2017

### 15. Financial risk management

The Company's operations do not expose it to any significant credit risk, liquidity risk, market risk, interest rate 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 the Consumer Finance Division and the ultimate parent, Lloyds Banking Group plc. The Consumer Finance Division was integrated in to the Retail Finance Division on 1 November 2017 when an internal restructure came into force.

#### 15.1 Financial strategy

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

#### 15.2 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.

### 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 (2016: £nil).

The Group 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. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the Company of approximately £86,000 (including interest). 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.

### 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 2017

### 19. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 July 2017 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.

### 20. 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](http://www.lloydsbankinggroup.com).