

# **United Dominions Leasing Limited**

## **Directors' report and financial statements For the year ended 31 December 2013**

### **Registered office**

25 Gresham Street  
London  
EC2V 7HN

### **Registered number**

824614

### **Directors**

G Ferguson  
M J D Griffiths  
C K Sarfo-Agyare  
C Sutton

### **Company Secretary**

P Gittins

Member of Lloyds Banking Group

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## **Directors' report**

For the year ended 31 December 2013

The directors present their report and the audited financial statements of United Dominions Leasing Limited ("the Company") for the year ended 31 December 2013.

### **General information**

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 824614).

The Company provides finance lease products for corporate customers.

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

### **Dividends**

No dividends were paid or proposed during the year ended 31 December 2013 (2012: £nil). On 31 March 2014, the Company made a dividend payment of £28,219,000 to Black Horse Finance Holdings Limited.

### **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.

There have been no changes to directors during the year or since the year end.

### **Company Secretary**

The following change has taken place during the year:

P Gittins (appointed 2 October 2013)

### **Directors' indemnities**

Lloyds Banking Group plc has granted to the directors of the Company, a deed of indemnity through deed poll which constituted 'third party indemnity provisions' for the purposes of the Companies Act 2006. The deeds were in force during the whole of the financial year and at the date of approval of the financial statements. The indemnities remain in force for the duration of a director's period of office. The deeds indemnify the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' report, the Strategic 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

## Directors' report (continued)

### Statement of directors' responsibilities (continued)

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 he ought to have taken as a director in order to make himself 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.

On behalf of the board

C K Sarfo-Agyare  
Director

22 August 2014

## Strategic report

For the year ended 31 December 2013

The directors present their Strategic report of the Company for the year ended 31 December 2013.

### **Business overview**

The Company's results for the year show a Profit before tax of £3,601,000 (2012: £6,122,000) and Net interest income of £9,439,000 (2012: £11,000,000).

### **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") 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 environment within which the Company operates remains competitive. The Company has written a satisfactory level of new business in the year and this is expected to continue in the foreseeable future. The directors are supporting a strategy designed to ensure that the Company's interest and other charges fully reflect the risks associated with its core products whilst maintaining competitiveness.

On behalf of the board

C K Sarfo-Agyare  
Director

22 August 2014

# **Independent auditors' report to the member of United Dominions Leasing Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements for the year ended 31 December 2013, which are prepared by United Dominions Leasing Limited, comprise:

- the Income Statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the Cash flow statement;
- the accounting policies; and
- related notes.

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

### **What an audit of financial statements involves**

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

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

In addition, we read all the financial and non-financial information in the Directors' report and financial statements 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.

### **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.

## **Independent auditors' report to the member of United Dominions Leasing Limited (continued)**

### **Other matters on which we are required to report by exception (continued)**

#### **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.

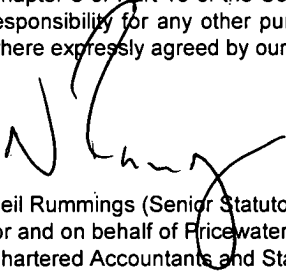
### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of directors**

As explained more fully in the Statement of directors' responsibilities set out on pages 1 and 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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.



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

22 August 2014

## Income statement

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Interest income		15,630	18,825
Interest expense		(6,191)	(7,825)
<b>Net interest income</b>	4	<b>9,439</b>	11,000
Other operating income	5	8	1,752
Impairment losses	6	(43)	(268)
Other operating expenses	7	(5,803)	(6,362)
<b>Profit before tax</b>		<b>3,601</b>	6,122
Taxation	10	(6,676)	21,634
<b>(Loss)/profit for the year attributable to owners of the parent</b>		<b>(3,075)</b>	27,756

## Statement of comprehensive income

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
<b>(Loss)/profit for the year</b>		<b>(3,075)</b>	27,756
<b>Other comprehensive income</b>			
Movement in cash flow hedges			
- before tax amount	10	144	70
- tax charge	10	(41)	(26)
		<b>103</b>	44
<b>Total comprehensive (expense)/income for the year attributable to owners of the parent</b>		<b>(2,972)</b>	27,800

The notes on pages 10 to 25 are an integral part of these financial statements.

## Balance sheet

As at 31 December 2013

	Note	2013 £'000	2012 £'000
<b>ASSETS</b>			
Other current assets	11	1,803	3,330
Loans and advances to customers	12	258,801	261,196
Inventories		-	5
Current tax asset		-	11,058
Deferred tax asset	14	36,225	17,717
<b>Total assets</b>		<b>296,829</b>	<b>293,306</b>
<b>LIABILITIES</b>			
Borrowed funds	15	245,246	257,440
Other current liabilities		63	64
Derivative financial liabilities		284	428
Current tax liability		18,834	-
<b>Total liabilities</b>		<b>264,427</b>	<b>257,932</b>
<b>EQUITY</b>			
Share capital	16	-	-
Other reserves		(227)	(330)
Retained profits		32,629	35,704
<b>Total equity</b>		<b>32,402</b>	<b>35,374</b>
<b>Total equity and liabilities</b>		<b>296,829</b>	<b>293,306</b>

The notes on pages 10 to 25 are an integral part of these financial statements.

The financial statements on pages 6 to 25 were approved by the board of directors and were signed on its behalf by:

C K Sano-Agyare  
Director

22 August 2014



## Statement of changes in equity

For the year ended 31 December 2013

	Share capital £'000	Other reserves £'000	Retained profits £'000	Total £'000
<b>At 1 January 2012</b>	-	(374)	7,948	7,574
Profit for the year	-	-	27,756	27,756
Other comprehensive income for the year	-	44	-	44
<b>At 31 December 2012</b>	-	(330)	35,704	35,374
Loss for the year	-	-	(3,075)	(3,075)
Other comprehensive income for the year	-	103	-	103
<b>At 31 December 2013</b>	-	(227)	32,629	32,402

The notes on pages 10 to 25 are an integral part of these financial statements.

## Cash flow statement

For the year ended 31 December 2013

	2013 £'000	2012 £'000
<b>Cash flows generated from operating activities</b>		
Profit before tax	3,601	6,122
Adjustments for:		
- Interest expense	6,191	7,825
- Depreciation	-	4
- Cost on disposal of ex-leased assets	5	1,751
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	2,395	27,910
- Net decrease/(increase) in Other debtors	722	(2,513)
- Net decrease in Other current liabilities	(1)	(6,538)
<b>Cash generated from operations</b>	<b>12,913</b>	<b>34,561</b>
Interest expense	(6,191)	(7,825)
Group relief received	4,667	-
<b>Net cash generated from operating activities</b>	<b>11,389</b>	<b>26,736</b>
<b>Cash flows used in financing activities</b>		
Repayment of borrowings with group undertakings	(11,389)	(26,736)
<b>Net cash used in financing activities</b>	<b>(11,389)</b>	<b>(26,736)</b>
<b>Net increase 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 notes on pages 10 to 25 are an integral part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2013

## 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 International Financial Reporting Standards - 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) Amendments to IAS 1 Presentation of financial statements. The amendments require entities to group items presented in Other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. An additional requirement of the amendment is that the tax associated with items presented before tax is to be shown separately for each of the two groups of Other comprehensive income items. The application of this pronouncement has not had any impact for amounts recognised in these financial statements.
- (ii) Improvements to IFRSs (issued May 2012). These amendments include amendments to IFRS standards as part of the annual improvements process. Most amendments clarify existing practice. The application of this pronouncement has not had any impact for amounts recognised in these financial statements.
- (iii) IFRS 13 Fair value measurement. The amendment sets out a single IFRS framework for the measurement of fair value and the related disclosure requirements. The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2013 and which have not been applied in preparing these financial statements are given in note 22.

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention as modified for the fair value of derivatives.

### 1.2 Income recognition

#### Income from financial assets

Interest income and expense are recognised in the Income statement 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.

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 December 2013

### 1. Accounting policies (continued)

#### 1.2 Income recognition (continued)

##### Operating lease income

Operating lease income is recognised on a straight line basis over the life of a lease.

When an operating lease is terminated before the end of the lease period, any payment made to the Company by way of penalty is recognised as income in the period of termination.

#### 1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Other debtors and Loans and advances to customers. Financial liabilities comprise Amounts due to group undertakings and Other current liabilities. Derivative contracts can be either a financial asset or liability and are discussed separately in note 1.4.

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 liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

#### 1.4 Derivative financial instruments

The Company uses an interest rate swap derivative to manage its exposure to interest rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in equity in Other reserves.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

#### 1.5 Hedge accounting

Derivatives may only be designated as hedges provided certain strict criteria are met. At the inception of a hedge, its terms must be clearly documented and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flow of the hedged risk.

The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income statement. Amounts accumulated in equity are recycled to the Income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

#### 1.6 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.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 1. Accounting policies (continued)

#### 1.6 Impairment (continued)

The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience.

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 income statement.

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 income statement on a cash receipts basis.

#### Assets held under operating leases

Impairment of Property, plant and equipment leased to customers under operating leases is assessed by comparing the net present value of the expected future cash flows with the asset's carrying value. Any impairment identified in this way is charged immediately to the income statement.

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, the residual value of the related asset is adjusted and the amount of the reversal is recognised in the income statement.

#### 1.7 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 ceased to be rented and has become held for sale.

#### 1.8 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 as required.

The carrying value of Property, plant and equipment held as operating lease assets is transferred to inventories at the end of the operating lease period when the asset becomes held for sale. Upon sale, the invoiced value of these assets is recognised as Other operating income and the carrying value charged to Other operating expenses.

#### 1.9 Cash and cash equivalents

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

#### 1.10 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 against which these losses can be utilised.

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

## 1. Accounting policies (continued)

### 1.11 Other reserves

Other reserves comprise a cash flow hedging reserve representing the cumulative after tax gains and losses on effective cash flow hedging instruments that will be reclassified to the income statement in the periods in which the hedged item effects profit or loss.

## 2. Risk management policy

The Company's operations expose it to credit risk, liquidity risk, interest rate risk, market risk, and business risk; it is not exposed to any significant 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 hedges are used to mitigate interest rate risk relating to a proportion of the Company's intercompany borrowings. The remaining 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 AIF's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. 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 the AIF'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.

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.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 2. Risk management policy (continued)

#### 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 18.3.

In respect of a particular portfolio of larger leases, however, the Company has managed interest rate risk through use of interest rate swaps which convert interest payable on group borrowings from floating to fixed rate in order to match the fixed rentals receivable on the Company's finance lease books.

#### 2.4 Market risk

Market risk is the risk that the Company is unable to realise the carrying value of its Inventories and the risk that market factors management have applied in estimating the anticipated residual values of Property, plant and equipment and residual values of finance lease agreements where the Company retains title of the asset differ from actual trends. The Company is exposed to fluctuations in the value of second hand motor vehicles and other plant and machinery.

Market risk is managed through a combination of management regularly reviewing the Company's portfolio of leases to assess for impairment, residual values being agreed on commencement of leases and the existence of a risk sharing agreement with a third party company, which has been designed to reduce the impact of adverse fluctuations in second hand markets.

#### 2.5 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.

#### Impairment of assets accounted for at amortised cost

The Company regularly reviews its portfolio of leases to assess for impairment. In determining whether an impairment has occurred the Company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows and their timings; such observable data includes whether there has been an adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on assets in the Company.

#### Individual component

All impaired loans which exceed a certain threshold are individually assessed for impairment having regard to expected future cash flows including those that could arise from the realisation of collateral. The determination of these allowances often requires the exercise of considerable judgement by management involving matters such as local economic conditions and the resulting trading performance of the customer and the value of the collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ significantly from the assumptions made for the purposes of determining the impairment allowances and consequently these allowances can be subject to variation as time progresses and the circumstances of the customer become clearer.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 3. Critical accounting estimates and judgements in applying accounting policies (continued)

#### Collective component

In addition, a collective unimpaired provision is made for loan losses that have been incurred but not separately identified at the balance sheet date. This provision is determined on a collective basis. Collective impairment allowances are calculated using formulae which take into account factors such as the length of time that the customer's account has been delinquent, historical loss rates and the value of any collateral held in order to determine expected future cash flows. The variables used in the formulae are kept under regular review to ensure that as far as possible they reflect the current economic circumstances, although actual experience may differ from that assumed.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### Deferred tax

The Deferred tax asset has been recognised on the basis that tax losses arising in the future will be surrendered as group relief which will be paid for by the recipient company.

### 4. Net interest income

	2013 £'000	2012 £'000
<b>Interest income</b>		
From finance lease contracts	15,630	18,825
<b>Interest expense</b>		
Group interest expense (see note 17)	(6,191)	(7,825)
<b>Net interest income</b>	<b>9,439</b>	<b>11,000</b>

### 5. Other operating income

	2013 £'000	2012 £'000
Proceeds on disposal of ex-leased assets	5	1,745
Operating lease income	3	7
	<b>8</b>	<b>1,752</b>

### 6. Impairment losses

	2013 £'000	2012 £'000
Impairment losses on Loans and advances to customers	(43)	(256)
Impairment losses on Property, plant and equipment	-	(12)
	<b>(43)</b>	<b>(268)</b>



## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 7. Other operating expenses

	2013 £'000	2012 £'000
Management fees (see note 17)	5,704	4,607
Depreciation (see note 13)	-	4
Cost on disposal of ex-leased assets	5	1,751
Other operating expenses	94	-
	<b>5,803</b>	<b>6,362</b>

Fees payable to the Company's auditors for the audit of the financial statements of £8,000 (2012: £4,000) have been borne by a fellow group undertaking and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are recharged to the Company as part of Management fees.

### 8. Staff costs

The Company did not have any employees during the year (2012: none).

### 9. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2012: £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 17).

### 10. Taxation

	2013 £'000	2012 £'000
<b>a) Analysis of charge/(credit) for the year</b>		
UK corporation tax:		
- Current tax on taxable profit for the year	18,834	13,092
- Adjustments in respect of prior years	6,391	(53,710)
Current tax charge/(credit)	<b>25,225</b>	<b>(40,618)</b>
UK deferred tax:		
- Origination and reversal of timing differences	(12,357)	(10,297)
- Adjustments in respect of prior years	(6,192)	29,281
Deferred tax (credit)/charge (see note 14)	<b>(18,549)</b>	<b>18,984</b>
	<b>6,676</b>	<b>(21,634)</b>

Corporation tax is calculated at a rate of 23.25% (2012: 24.50%) of the taxable profit for the year.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 10. Taxation (continued)

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

Where taxation on the Company's profit for the year differs from the taxation charge/(credit) that would arise using the standard rate of corporation tax of 23.25% (2012: 24.50%), the differences are explained below:

	2013 £'000	2012 £'000
Profit before tax	3,601	6,122
Tax charge thereon at UK corporation tax rate of 23.25% (2012: 24.50%)	837	1,500
Factors affecting charge:		
- Adjustments in respect of prior years	199	(24,429)
- Effect of reduction in tax rate	5,618	1,295
- Non-taxable items	22	-
Tax on profit on ordinary activities	6,676	(21,634)
Effective rate	185.4%	(353.4%)

#### c) Tax effects relating to Other comprehensive income

The tax effect relating to Other comprehensive income is as follows:

	Before tax amount £'000	Tax charge £'000	Net of tax amount £'000
<b>2013</b>			
Movements in cash flow hedges	144	(41)	103
Other comprehensive income for the year	144	(41)	103
<b>2012</b>			
Movements in cash flow hedges	70	(26)	44
Other comprehensive income for the year	70	(26)	44

### 11. Other current assets

	2013 £'000	2012 £'000
Amounts due from group undertakings (see note 17)	12	817
Other debtors	1,791	2,513
	1,803	3,330

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

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 12. Loans and advances to customers

	2013 £'000	2012 £'000
Gross loans and advances to customers	259,587	262,081
Less: allowance for losses on loans and advances	(786)	(885)
<b>Net loans and advances to customers</b>	<b>258,801</b>	<b>261,196</b>
of which:		
Due within one year	100,359	120,370
Due after one year	158,442	140,826
	<b>258,801</b>	<b>261,196</b>

Loans and advances to customers include finance lease receivables:

	2013 £'000	2012 £'000
Gross investment in finance lease receivable:		
- no later than one year	112,538	133,906
- later than one year and no later than five years	166,890	147,934
- later than five years	996	1,650
	<b>280,424</b>	<b>283,490</b>
Unearned future finance income on finance lease contracts	(20,837)	(21,409)
<b>Net investment in finance lease contracts</b>	<b>259,587</b>	<b>262,081</b>

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

	2013 £'000	2012 £'000
- no later than one year	101,145	121,255
- later than one year and no later than five years	157,486	139,267
- later than five years	956	1,559
	<b>259,587</b>	<b>262,081</b>

The Company provides a range of finance lease products in connection with the financing of motor vehicles and other plant and equipment. The leases typically run for periods of between 3 and 20 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Income statement (2012: £nil).

Further analysis of Loans and advances to customers is provided in note 18.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 13. Property, plant and equipment

	Total £'000
<b>Cost</b>	
At 1 January 2012	45
Transfer to Inventories	(45)
At 31 December 2012 and 31 December 2013	-
<b>Accumulated depreciation</b>	
At 1 January 2012	30
Charge for the year (see note 7)	4
Transfer to Inventories	(34)
At 31 December 2012 and 31 December 2013	-
<b>Balance sheet amount at 31 December 2013</b>	-
Balance sheet amount at 31 December 2012	-

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

During the year, no contingent rentals in respect of operating leases were recognised in the Income statement (2012: £nil).

### 14. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2013 £'000	2012 £'000
Brought forward	17,717	36,727
Credit/(charge) for the year (see note 10)	18,549	(18,984)
	36,266	17,743
Amount charged to equity		
- Cash flow hedges	(41)	(26)
At 31 December	36,225	17,717

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 14. Deferred tax asset (continued)

The deferred tax credit/(charge) in the Income statement comprises the following temporary differences:

	2013 £'000	2012 £'000
Accelerated capital allowances	18,562	(18,966)
Other temporary differences	(13)	(18)
	<b>18,549</b>	<b>(18,984)</b>
Deferred tax asset comprises:	2013 £'000	2012 £'000
Accelerated capital allowances	36,158	17,596
Other temporary differences	10	23
Cash flow hedges	57	98
	<b>36,225</b>	<b>17,717</b>

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. In addition, the Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation to reduce the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

The change in the main rate of corporation tax from 23% to 21% and 20% has resulted in a reduction in the Company's net deferred tax asset at 31 December 2013 of £5,627,000, comprising the £5,618,000 charge included in the Income statement and an £9,000 charge included in Equity.

### 15. Borrowed funds

	2013 £'000	2012 £'000
Amounts due to group undertakings (see note 17)	245,246	257,440

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 Lloyds UDT Limited are interest bearing at fixed rates set at the inception of lease agreements. Amounts due to Lloyds Bank plc are interest bearing at variable rates based on LIBOR. An interest rate swap derivative has been used to manage its exposure to interest rate risk. Amounts due to United Dominions Trust Limited are interest bearing at variable rates based on historic market swap rates. All other amounts are non-interest bearing.

### 16. Share capital

	2013 £'000	2012 £'000
Allotted, issued and fully paid 100 ordinary shares of £1 each	-	-

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 17. 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 expense for the year are set out below.

	2013 £'000	2012 £'000
<b>Amounts due from group undertakings</b>		
Lloyds Bank Leasing Limited (see note 11)	12	817
<b>Amounts due to group undertakings</b>		
Black Horse Limited	471	471
Lloyds Bank plc	1,419	2,827
Lloyds UDT Limited	4,743	8,998
United Dominions Trust Limited	238,613	245,144
<b>Total Amounts due to group undertakings (see note 15)</b>	<b>245,246</b>	<b>257,440</b>
<b>Derivative financial instruments</b>		
Lloyds Bank plc	284	428
<b>Interest expense</b>		
Lloyds Bank plc	128	199
Lloyds UDT Limited	210	285
United Dominions Trust Limited	5,853	7,341
<b>Total Interest expense (see note 4)</b>	<b>6,191</b>	<b>7,825</b>
<b>Management fees</b>		
Black Horse Limited	5,703	4,574
Lloyds UDT Limited	1	33
<b>Total Management fees (see note 7)</b>	<b>5,704</b>	<b>4,607</b>

#### 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. As at 31 December 2013, HM Treasury retained a significant interest in Lloyds Banking Group plc's ordinary share capital and consequently HM Treasury remained a related party of the Company during the year ended 31 December 2013.

### 18. 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.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 18. Financial risk management (continued)

#### 18.1 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.

##### Loans and advances to customers – maximum exposure

	2013 £'000	2012 £'000
Neither past due nor impaired	257,001	259,695
Past due but not impaired	1,217	1,108
Impaired	1,369	1,278
<b>Maximum exposure – loans and advances</b>	<b>259,587</b>	<b>262,081</b>
Commitments to lend	411,504	168,870
<b>Maximum credit exposure</b>	<b>671,091</b>	<b>430,951</b>

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

	2013 £'000	2012 £'000
Good quality	218,054	196,470
Satisfactory quality	38,834	54,500
Lower quality	113	8,704
Below standard, but not impaired	-	21
<b>Total</b>	<b>257,001</b>	<b>259,695</b>

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

	2013 £'000	2012 £'000
Past due up to 30 days	1,216	1,090
Past due from 30-60 days	1	18
Past due from 60-180 days	-	-
<b>Total</b>	<b>1,217</b>	<b>1,108</b>

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

##### Allowance for loans and advances to customers which are impaired

	2013 £'000	2012 £'000
Brought forward	885	967
Advances written off	(142)	(338)
Charge for year (including recoveries)	43	256
<b>At 31 December</b>	<b>786</b>	<b>885</b>

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 18. Financial risk management (continued)

#### 18.1 Credit risk (continued)

The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1.6. Included in Loans and advances to customers were loans and advances individually determined to be impaired whose gross amount before impairment allowances was £1,369,000 (2012: £1,278,000).

##### **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 (2012: £nil).

#### 18.2 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. With the exception of derivative financial instruments (see note 18.7), all other financial liabilities are repayable on demand.

#### 18.3 Interest rate risk

Interest rate risk is managed at a divisional level. 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 to group undertakings and takes account of movement in the market swap rates which is the basis for the interest rate on intercompany balances. A 0.5% (2012: 0.6%) 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 0.5% (2012: 0.6%) and all other variables remain constant this would increase Interest expense by £1,047,000 (2012: £1,300,000) and accordingly decrease Interest expense by £1,047,000 (2012: £1,300,000) if swap rates decreased by the same amount.

#### 18.4 Market risk

The leasing portfolio includes agreements where the Company has a risk in respect of residual value of the assets. This area of credit policy is monitored by a residual value committee which meets on a regular basis to consider the exposure taking into account current and projected industry trends in addition to the Company's own risk management data.

#### 18.5 Financial strategy

The Company uses financial instruments to mitigate interest rate risk. However, the Company does not trade in financial instruments.

#### 18.6 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 £263,668,000 (2012: £268,548,000). Derivative financial instruments are carried at fair value. The carrying value of all other financial assets and liabilities is considered an approximation of fair value.



## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 18. Financial risk management (continued)

#### 18.7 Derivative financial instruments

The principal derivatives used by the Company are interest rate swaps to hedge against fluctuations in interest rates. An interest rate swap is an agreement between two parties to exchange fixed and floating rate payments, based upon interest rates defined in the contract.

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and variable rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the borrowings utilised to fund existing finance lease agreements.

The notional principal amounts of the outstanding interest rate swap contracts are £3,290,000 (2012: £5,505,000). These notional amounts will reduce to nil in 2019 in line with the reduction in the hedged borrowings. The interest terms on the derivatives provide for net settlement of fixed rates payable of between 5.940% and 4.200% and floating rates receivable based on LIBOR.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using interest rate yield curves which are developed from publicly quoted rates, and is disclosed below.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest on the swaps and the interest payments on the borrowings occur simultaneously and the amount accumulated in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

In 2013, all hedged cash flows are expected to occur so there is no ineffectiveness recognised in the Income statement (2012: £nil). Due to the contractual arrangements in place between the Company and its customers, the Company does not have any exposure to future losses should a customer settle a loan before its contractual term.

The decrease in the fair value liability, net of tax, of £103,000 (2012: decrease of £44,000) has been recognised in the Statement of comprehensive income. The table below analyses the fixed interest payable on the swaps by due date.

	Contractual cash flows	
	2013 £'000	2012 £'000
0 to 12 month	138	164
1 to 2 years	113	138
2 to 5 years	189	265
5 years +	11	49
	<b>451</b>	<b>616</b>

#### Fair value hierarchy

The interest swap agreements entered into by the Company are carried at fair value. These valuations are based on inputs other than quoted prices in active markets for identical assets or liabilities that are observable for the asset or liability, either directly or indirectly, and are considered to be level 2 in the fair value hierarchy defined under IFRS 7.

### 19. 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.

## Notes to the financial statements (continued)

For the year ended 31 December 2013

### 20. Contingent liabilities and capital commitments

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 £24m. 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.

Undrawn formal standby facilities, credit facilities and other commitments to lend were £411,504,000 (2012: £168,870,000).

### 21. Post balance sheet events

On 31 March 2014, the Company made a dividend payment of £28,219,000 to Black Horse Finance Holdings Limited.

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

### 22. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2013 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Annual improvement to IFRSs (issued December 2013) <sup>1</sup>	A collection of amendments to IFRSs from the 2010 - 12 and 2011 - 13 cycle of the annual improvements projects.	Annual periods beginning on or after 1 July 2014.
IFRS 9 Financial Instruments: Classification and Measurement <sup>1 &amp; 2</sup>	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, these pronouncements are awaiting EU endorsement.

2. IFRS 9 is the initial stage of the project to replace IAS 39. Future stages are expected to result in amendments to IFRS 9 to deal with changes to the impairment of financial assets measured at amortised cost and hedge accounting. Until all stages of the replacement project are complete, it is not possible to determine the overall impact on the financial statements of the replacement of IAS 39.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that neither of these pronouncements are expected to cause any material adjustments to the reported numbers in the financial statements.

### 23. Other information

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 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.