

United Dominions Leasing Limited

Annual report and accounts for the year ended 31 December 2018

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00824614

Current directors

B D Bos
G Ferguson
R Poole

Company Secretary

D D Hennessey

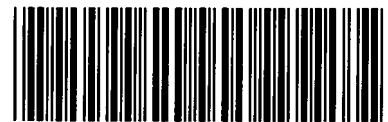
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Directors' report

For the year ended 31 December 2018

The directors present their report and the audited financial statements of United Dominions Leasing Limited ("the Company") for the year ended 31 December 2018.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 00824614).

The Company provides lease and fleet finance 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 Retail and Commercial Divisions, which is part of the Lloyds Banking Group. While these risks are not managed separately for the Company, the Company is a main trading company of the Retail Division. The Retail Division 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 18 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level.

Future outlook

The environment within which the Company operates remains competitive. 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.

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 ("EU") has been undertaken. Work continues to assess the impact of EU exit at the level of the 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 December 2018 (2017: £4,510,000).

Going concern

The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the Company, will continue to have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Directors

The current directors of the Company are shown on the front cover.

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

C K Sarfo-Agyare	(resigned 25 June 2018)
R Poole	(appointed 9 April 2019)

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2018

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 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.

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.

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, 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
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

23 December 2019

Income statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Interest income		5,040	1,952
Interest expense		(2,346)	(344)
Net interest income	3	2,694	1,608
Other operating income	4	258	193
Impairment losses	5	(286)	(669)
Other operating expenses	6	(475)	(72)
Profit before tax		2,191	1,060
Taxation	9	(890)	47
Profit for the year		1,301	1,107

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit for the year attributable to owners of the parent		1,301	1,107
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges			
- before tax amount		1	91
- tax charge	9	-	(17)
		1	74
Total comprehensive income for the year attributable to owners of the parent		1,302	1,181

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

Balance sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Trade and other receivables	10	162,612	279,636
Loans and advances to customers	11	156,388	74,107
Current tax asset		5,155	3,827
Deferred tax asset	12	15,256	21,432
Total assets		339,411	379,002
LIABILITIES			
Borrowed funds	13	332,090	373,346
Trade and other payables	14	1,503	1,193
Provision for liabilities and charges	15	204	-
Total liabilities		333,797	374,539
EQUITY			
Share capital	16	-	-
Other reserves		3	2
Retained earnings		5,611	4,461
Total equity		5,614	4,463
Total equity and liabilities		339,411	379,002

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

23 December 2019

Statement of changes in equity

For the year ended 31 December 2018

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	-	(72)	7,864	7,792
Profit for the year	-	-	1,107	1,107
Other comprehensive income for the year	-	74	-	74
Dividend paid to equity holders of the Company	-	-	(4,510)	(4,510)
At 31 December 2017	-	2	4,461	4,463
Transition to IFRS 9 (see note 22)	-	-	(151)	(151)
At 1 January 2018	-	2	4,310	4,312
Profit for the year	-	-	1,301	1,301
Other comprehensive income for the year	-	1	-	1
At 31 December 2018	-	3	5,611	5,614

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

Cash flow statement

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows used in operating activities		
Profit before tax	2,191	1,060
Adjustments for:		
- Interest expense	2,346	344
- Increase in Provision for liabilities and charges	204	-
Changes in operating assets and liabilities:		
- Impact of transition to IFRS 9 on Loans and advances to customers	(181)	-
- Net increase in Loans and advances to customers	(82,281)	(22,021)
- Net decrease/(increase) in Other debtors and Trade and other receivables	2,716	(7,208)
- Net increase/(decrease) in Trade and other payables	310	(2,648)
Cash used in operations	(74,695)	(30,473)
Tax received	3,989	16,505
Net cash used in operating activities	(70,706)	(13,968)
Cash flows generated from financing activities		
Dividends paid	-	(4,510)
Proceeds from net borrowings with group undertakings	73,052	18,822
Interest paid	(2,346)	(344)
Net cash generated from financing activities	70,706	13,968
Change in Cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in both years presented, unless otherwise stated.

These financial statements have been prepared in accordance with applicable IFRSs as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRSs. IFRSs comprise accounting standards prefixed IFRS issued by the International Accounting Standards Board ("IASB") and those prefixed IAS issued by the IASB's predecessor body, as well as interpretations issued by the IFRS Interpretations Committee ("IFRS IC") and its predecessor body.

The following new IFRS pronouncement relevant to the Company has been adopted in these financial statements:

- 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.

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

1.2 Income recognition

Income and expense from financial instruments

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. 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 credit impaired, interest income is recognised on the net lending basis.

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 2018

1. Accounting policies (continued)

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Loans and advances to customers and Other debtors. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables. Derivative contracts can be either financial assets or financial liabilities and are discussed separately in note 18.8.

On initial recognition, financial assets are classified as measured at amortised cost.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

1.4 Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk.

IFRS 9 requires changes in the fair value of all derivative instruments, other than those in effective cash flow and net investment hedging relationships, to be recognised immediately in the income statement. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative 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

Impairment of financial assets

The impairment charge in the Income statement includes the change in expected credit losses and certain fraud costs. Expected credit losses are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.6 Impairment (continued)

Impairment of loans and advances

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, the Company uses qualitative indicators such as watch lists and other indicators of historic delinquency. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an ongoing customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2).

The probability of default ("PD") of an exposure, both over a 12 month period or over its lifetime is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

The assessment of default is based upon the credit risk classifications applied to its loans which in effect reflect the extent to which the account is stressed.

1.7 Cash and cash equivalents

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Accounting policies (continued)

1.8 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each Balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

1.9 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

1.10 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 affects profit or loss.

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.

The following are critical accounting estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Deferred tax

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

Notes to the financial statements (continued)

For the year ended 31 December 2018

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

Allowance for impairment losses

The calculation of the Group's expected credit loss (ECL) allowances and provisions against loans and advances to customers under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below.

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Company is described in note 1.6 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. For loans and advances to customers, the Company has assumed the expected life for each product to be the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off.

Significant increase in credit risk - Fleet

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk (SICR) since initial recognition.

The Company uses a qualitative indicators to determine whether there has been a SICR for an asset.

Significant increase in credit risk - Commercial

The Company monitors a series of account flags which may indicate whether the asset has suffered a SICR which, for commercial loans, are aligned to operational credit risk management strategies.

All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Post-model adjustments

Limitations in the Company's impairment models may be identified through its on-going assessment of the models. In these circumstances, post-model judgement is used to make appropriate adjustments to the Company's allowance for impairment losses.

No post-model adjustments have been made in respect of the Company for the year ended 31 December 2018.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Net interest income

	2018 £'000	2017 £'000
Interest income		
From finance lease and hire purchase contracts	3,564	1,952
Group interest income (see note 17)	1,476	-
	5,040	1,952
Interest expense		
Group interest expense (see note 17)	(2,346)	(344)
	2,694	1,608

4. Other operating income

	2018 £'000	2017 £'000
Other operating income	258	193

5. Impairment losses

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
31 December 2018				
Repayments	(293)	-	-	(293)
Other changes in credit quality	(105)	-	-	(105)
New financial assets originated or purchased	475	-	5	480
Undrawn movements	204	-	-	204
	281	-	5	286
In respect of:				
Loans and advances to customers	77	-	5	82
Commitments to lend	204	-	-	204
	281	-	5	286
				Total £'000
31 December 2017				
Impairment losses on Loans and advances to customers				669

6. Other operating expenses

	2018 £'000	2017 £'000
Other operating expenses	475	72

Notes to the financial statements (continued)

For the year ended 31 December 2018

6. Other operating expenses (continued)

Fees payable to the Company's auditors for the audit of the financial statements of £35,000 (2017: £18,000) 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.

7. Staff costs

The Company did not have any employees during the year (2017: none).

8. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £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).

9. Taxation

	2018 £'000	2017 £'000
a) Analysis of charge/(credit) for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	(5,316)	(4,049)
- Adjustments in respect of prior years	-	179
Current tax credit	(5,316)	(3,870)
UK deferred tax:		
- Origination and reversal of timing differences	5,732	4,253
- Due to change in UK corporation tax rate	357	(277)
- Adjustments in respect of prior years	117	(153)
Deferred tax charge (see note 12)	6,206	3,823
Tax charge/(credit)	890	(47)

Corporation tax is calculated at a rate of 19.00% (2017: 19.25%) of the taxable profit for the year.

b) Factors affecting the tax charge/(credit) 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:

	2018 £'000	2017 £'000
Profit before tax	2,191	1,060
Tax charge thereon at UK corporation tax rate of 19.00% (2017: 19.25%)	416	204
Factors affecting charge:		
- Due to change in UK corporation tax rate	357	(277)
- Adjustments in respect of prior years	117	26
Tax charge/(credit) on profit on ordinary activities	890	(47)
Effective rate	40.62%	(4.43%)

Notes to the financial statements (continued)

For the year ended 31 December 2018

9. Taxation (continued)

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)/ credit £'000	Net of tax amount £'000
2018			
Movements in cash flow hedges	1	-	1
Other comprehensive income for the year	1	-	1
2017			
Movements in cash flow hedges	91	(17)	74
Other comprehensive income for the year	91	(17)	74

10. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings (see note 17)	158,102	272,410
Other debtors	4,510	7,226
	162,612	279,636

Amounts due from Lloyds Bank plc is unsecured, interest bearing at LIBOR and repayable on demand (2017: non-interest bearing). Amounts due from Black Horse Limited is non-interest bearing.

As part of the transition to IFRS 9, the Company has reviewed its balances held with group undertakings to consider whether any of these should be impaired. The Company concluded that no provision is required in respect of this.

11. Loans and advances to customers

11.1 Loans and advances to customers

	2018 £'000	2017 £'000
Advances under finance lease and hire purchase contracts	157,050	74,691
Gross loans and advances to customers	157,050	74,691
Less: allowance for losses on loans and advances	(662)	(584)
Net loans and advances to customers	156,388	74,107
of which:		
Due within one year	42,277	18,235
Due after one year	114,111	55,872
	156,388	74,107

Notes to the financial statements (continued)

For the year ended 31 December 2018

11. Loans and advances to customers (continued)

11.1 Loans and advances to customers (continued)

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

	2018 £'000	2017 £'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	48,025	20,987
- later than one year and no later than five years	118,827	58,214
- later than five years	1,145	645
	167,997	79,846
Unearned future finance income on finance lease and hire purchase contracts	(10,947)	(5,155)
Net investment in finance lease and hire purchase contracts	157,050	74,691
The net investment in finance lease and hire purchase contracts may be analysed as follows:		
	2018 £'000	2017 £'000
- no later than one year	42,939	18,819
- later than one year and no later than five years	113,010	55,249
- later than five years	1,101	623
	157,050	74,691

The unguaranteed residual value is £nil (2017: £nil).

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 1 and 4 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Income statement (2017: £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 2018

11. Loans and advances to customers (continued)

11.2 Loans and advances to customers - movement over time

As required by IFRS 9, a breakdown of the Company's Loans and advances to customers by stage is presented below:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Balance as at 1 January 2018	69,460	5,092	139	74,691
Transfers to Stage 1	1,402	(1,402)	-	-
Transfers to Stage 2	(681)	681	-	-
Transfers to Stage 3	(16)	(69)	85	-
Net increase / (decrease) in loans and advances to customers	82,974	(592)	(23)	82,359
Gross loans and advances to customers	153,139	3,710	201	157,050
Less: allowance for losses on loans and advances	(370)	(107)	(185)	(662)
Net loans and advances to customers	152,769	3,603	16	156,388

12. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2018 £'000	2017 £'000
Brought forward	21,432	25,272
Charge for the year (see note 9)	(6,206)	(3,823)
Adjustment on adoption of IFRS 9 (see note 22)	30	-
At 31 December	15,256	21,449
Amount charged to equity - Cash flow hedges	-	(17)
At 31 December	15,256	21,432

The deferred tax charge in the Income statement comprises the following temporary differences:

	2018 £'000	2017 £'000
Accelerated capital allowances	6,206	3,823

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Deferred tax asset (continued)

Deferred tax asset comprises:	2018 £'000	2017 £'000
Accelerated capital allowances	15,254	21,430
Cash flow hedges	2	2
	15,256	21,432

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

13. Borrowed funds

	2018 £'000	2017 £'000
Amounts due to group undertakings (see note 17)	332,090	373,346

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 rates set at the inception of lease agreements. An interest rate swap derivative has been used to manage the Company's exposure to interest rate risk. Amounts due to Black Horse Limited are non-interest bearing. Amounts due to United Dominions Trust Limited are interest bearing at LIBOR.

14. Trade and other payables

	2018 £'000	2017 £'000
Accruals and deferred income	1,503	1,193

15. Provision for liabilities and charges

	Undrawn loan commitments £'000
At 1 January 2017 and 31 December 2017	-
Charge for the year	204
At 31 December 2018	204

IFRS 9 requires a provision to be held against undrawn loan commitments. Previously, an impairment provision would only have been held in the event that the commitment was irrevocable and a loss event had occurred.

16. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid 100 ordinary shares of £1 each	-	-

Notes to the financial statements (continued)

For the year ended 31 December 2018

17. Related party transactions

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

	2018 £'000	2017 £'000
Amounts due from group undertakings		
Black Horse Limited	25,732	6,333
Lloyds Bank plc	132,370	266,077
Total Amounts due from group undertakings (see note 10)	158,102	272,410
Amounts due to group undertakings		
Black Horse Limited	-	5,355
Lloyds UDT Limited	167	9,660
United Dominions Trust Limited	331,923	358,331
Total Amounts due to group undertakings (see note 13)	332,090	373,346
Interest income		
Lloyds Bank plc (see note 3)	1,476	-
Interest expense		
Lloyds Bank plc	61	220
Lloyds UDT Limited	157	124
United Dominions Trust Limited	2,128	-
Total Interest expense (see note 3)	2,346	344

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 Income statement.

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 Commercial and Retail Divisions. 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 December 2018

18. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate 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 the Retail and Commercial Divisions, 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 Retail and Commercial Division'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.

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

18.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts and operating leases is managed through the application of strict underwriting criteria, determined by the Retail and Commercial Divisions credit committees and credit functions. Significant credit exposures are measured and reported on a regular basis.

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.

Credit concentration - Loans and advances to customers

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial risk management (continued)

18.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

For the Company's leasing portfolio, the Group's Corporate Master Scale ("CMS") has been used, with the internal credit rating gradings set out below.

Good quality	1-10	0.00-0.050
Satisfactory quality	11-14	0.051-3.00
Lower quality	15-18	3.01-20.00
Below standard	19	20.01-99.99
Credit impaired	20-23	100.0

At 31 December 2018	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Fleet				
Good quality	45,138	-	-	45,138
Satisfactory quality	91,028	-	-	91,028
Lower quality	6,558	-	-	6,558
Below standard, but not impaired	97	94	-	191
Past due but not impaired	-	-	-	-
Credit impaired	-	-	143	143
	142,821	94	143	143,058

At 31 December 2018	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Commercial				
Good quality	8,164	21	-	8,185
Satisfactory quality	1,983	213	-	2,196
Lower quality	17	3,288	-	3,305
Below standard, but not impaired	-	245	-	245
Past due but not impaired	-	-	-	-
Credit impaired	-	-	61	61
	10,164	3,767	61	13,992

Total				
Good quality	53,302	21	-	53,323
Satisfactory quality	93,011	213	-	93,224
Lower quality	6,575	3,288	-	9,863
Below standard, but not impaired	97	339	-	436
Past due but not impaired	-	-	-	-
Credit impaired	-	-	204	204
	152,985	3,861	204	157,050

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial risk management (continued)

18.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

At 31 December 2017	Total £'000
Good quality	62,717
Satisfactory quality	11,169
Lower quality	33
Below standard, but not impaired	-
Past due but not impaired	188
Credit impaired	584
Total	74,691

Commitments to lend

At 31 December 2018	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Fleet				
Good quality	120,499	-	-	120,499

At 31 December 2017

Fleet				
Good quality	-	-	-	-

Commitments to lend consist of undrawn formal standby facilities, credit facilities and other commitments to lend.

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2017				584
Adjustment on adoption of IFRS 9				(181)
Balance as at 1 January 2018	329	-	74	403
Charge for year (see note 5)	77	-	5	82
Other changes in credit quality	85	87	5	177
At 31 December 2018	491	87	84	662

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial risk management (continued)

18.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage (continued)

In respect of undrawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 31 December 2017				-
Adjustment on adoption of IFRS 9				-
Balance as at 1 January 2018	-	-	-	-
Charge for year (see note 5)	204	-	-	204
At 31 December 2018	204	-	-	204
Total	695	87	84	866
In respect of	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loans and advances to customers	491	87	84	662
Commitments to lend	204	-	-	204
Total	695	87	84	866

Repossessed collateral

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

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2017: £nil).

18.2 Liquidity risk

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

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

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. With the exception of derivative financial instruments (see note 18.8), all other financial liabilities are repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial risk management (continued)

18.3 Market risk

The Company is exposed to market risk, however the directors do not consider it to be a material exposure, and believe the exposure to be fully managed.

18.4 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

In respect of a particular portfolio of larger leases, however, the Company has managed interest rate risk through use of interest rate swaps held with Group companies 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.

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 LIBOR which is the basis for the interest rate on intercompany balances. A 0.68% (2017: 0.17%) 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 LIBOR increased in the year.

If the LIBOR increased by 0.68% and all other variables remain constant this would increase Interest expense by £2,234,000 (2017: £nil) and accordingly decrease Interest expense by £2,234,000 (2017: £nil) if the LIBOR decreased by the same amount.

18.5 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.

18.6 Financial strategy

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

18.7 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 considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial risk management (continued)

18.7 Fair values of financial assets and liabilities (continued)

The aggregated fair value of Loans and advances to customers is approximately £158,222,000 (2017: £73,851,000). Derivative financial instruments are carried at fair value (see note 18.8). The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

18.8 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 £3,000 (2017: £29,000). These notional amounts will reduce to £nil in 2020 in line with the reduction in the hedged borrowings. The interest terms on the derivatives provide for net settlement of fixed rates payable at 1.9% (2017: 1.9%) and floating rates receivable based on LIBOR. The carrying value of the outstanding interest rate swap contract is £nil (2017: £nil).

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 rate swaps and the interest payments on the loan 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 2018, all hedged cash flows are expected to occur so there is no ineffectiveness recognised in the Income statement (2017: £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 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.

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 13.

Notes to the financial statements (continued)

For the year ended 31 December 2018

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.

20. Contingent liabilities and capital commitments

There were no contracted capital commitments at the Balance sheet date (2017: £nil).

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law which might lead to additional tax. A number of group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Group, which ceased trading on 31 December 2010. In the second half of 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimates that this would result in an increase in the Company's current tax liability of approximately £29,583,000 (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 on the Company.

21. 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 December 2018

22. Transition to IFRS 9

The following table summarises the adjustments arising on the adoption of IFRS 9 to the Companies Balance sheet as at 1 January 2018.

	As at 31 December 2017 £'000	IFRS 9: Impairment £'000	Adjusted as at 1 January 2018 £'000
ASSETS			
Trade and other receivables	279,636	-	279,636
Loans and advances to customers	74,107	(181)	73,926
Current tax asset	3,827	-	3,827
Deferred tax asset	21,432	30	21,462
Total assets	379,002	(151)	378,851
LIABILITIES			
Borrowed funds	373,346	-	373,346
Trade and other payables	1,193	-	1,193
Total liabilities	374,539	-	374,539
EQUITY			
Share capital	-	-	-
Other reserves	2	-	2
Retained earnings	4,461	(151)	4,310
Total equity	4,463	(151)	4,312
Total equity and liabilities	379,002	(151)	378,851

The Company adopted IFRS 9 from 1 January 2018. In accordance with the transition requirements of IFRS 9, comparative information for 2017 has not been restated and transitional adjustments, have been accounted for through Accumulated losses as at 1 January 2018, the date of initial application. As a result shareholders equity decreased by £151,000.

There are no differences relating to reclassifications or remeasurements under the requirements of IFRS 9.

Under IFRS 9, the Company's impairment allowances have increased by £181,000. This includes the application of an expected credit loss methodology (12 months ECL, other for those with a significant increase in credit risk (Stage 2) or credit impaired/default (Stage 3) where life time ECL is calculated) and incorporation of forward looking information and multiple economic scenarios.

23. 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.

Independent Auditors' report to the member of United Dominions Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, United Dominions Leasing Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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 December 2018; the Income statement, 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 for 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 these 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 December 2018 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 United Dominions Leasing 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. 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

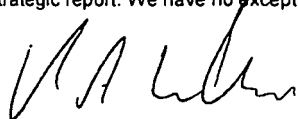
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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 in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

23 December 2019