United Dominions Leasing Limited

Annual report and accounts
for the year ended 31 December 2017

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00824614

Current directors

B D Bos
G Ferguson

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2017

The directors present their report and the audited financial statements of United Dominions Leasing Limited ("the Company") for the year ended 31 December 2017.

General information

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

The Company provides finance lease products for corporate customers.

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

Business overview

The Company's results for the year show a Profit before tax of £1,060,000 (2016: £1,226,000) and Net interest income of £1,608,000 (2016: £2,609,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Finance Division, 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 Finance Division. The Retail Finance 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 15 to the financial statements.

Key performance indicators ("KPIs")

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

Future outlook

Following the cessation of new business in March 2014 the Company achieved a satisfactory level of returns. From 1 October 2017, the Company began writing new business again. 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 Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Dividends

A dividend of £4,510,000, representing a dividend of £45,100 per share, was declared and paid during the year (2016: £nil).

Going concern

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

Directors

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

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

P R Grant	(resigned 25 May 2017)
B D Bos	(appointed 3 July 2017)
C K Sarfo-Agyare	(resigned 25 June 2018)

Directors' report (continued)

For the year ended 31 December 2017

Directors' indemnities

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

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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
26th September 2018

Income statement
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Interest income		**1,952**	3,715
Interest expense		**(344)**	(1,106)
Net interest income	3	**1,608**	2,609
Other operating income		**193**	84
Impairment losses on Loans and advances to customers		**(669)**	(209)
Other operating expenses	4	**(72)**	(1,258)
Profit before tax		**1,060**	1,226
Taxation	7	**47**	(1,384)
Profit/(loss) for the year		**1,107**	(158)

Statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit/(loss) for the year attributable to owners of the parent		**1,107**	(158)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges			
- before tax amount		**91**	65
- tax charge	11	**(17)**	(11)
		74	54
Total comprehensive income/(expense) for the year attributable to owners of the parent		**1,181**	(104)

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

Balance sheet
As at 31 December 2017

	Note	2017 £'000	2016 £'000
ASSETS			
Trade and other receivables	9	**279,636**	307,333
Loans and advances to customers	10	**74,107**	52,086
Current tax asset		**3,827**	16,462
Deferred tax asset	11	**21,432**	25,272
Total assets		**379,002**	401,153
LIABILITIES			
Borrowed funds	12	**373,346**	389,429
Trade and other payables		**1,193**	3,841
Derivative financial liabilities		**-**	91
Total liabilities		**374,539**	393,361
EQUITY			
Share capital	13	**-**	-
Other reserves		**2**	(72)
Retained earnings		**4,461**	7,864
Total equity		**4,463**	7,792
Total equity and liabilities		**379,002**	401,153

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
26th September 2018

Statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	-	(126)	8,022	7,896
Loss for the year	-	-	(158)	(158)
Other comprehensive income for the year	-	54	-	54
At 31 December 2016	**-**	**(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**

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

Cash flow statement

For the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash flows (used in)/generated from operating activities		
Profit before tax	**1,060**	1,226
Adjustments for:		
- Interest expense	**344**	1,106
Changes in operating assets and liabilities:		
- Net (increase)/decrease in Loans and advances to customers	**(22,021)**	53,170
- Net increase in Other debtors	**(7,208)**	(18)
- Net (decrease)/increase in Trade and other payables	**(2,648)**	762
Cash (used in)/generated from operations	**(30,473)**	56,246
Group relief received/(paid)	**16,505**	(10,226)
Net cash (used in)/generated from operating activities	**(13,968)**	46,020
Cash flows generated from/(used in) financing activities		
Dividends paid	**(4,510)**	-
Proceeds from/(repayment of) net borrowings with group undertakings	**18,822**	(44,914)
Interest paid	**(344)**	(1,106)
Net cash generated from/(used in) financing activities	**13,968**	(46,020)
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 2017

1. Accounting policies

1.1 Basis of preparation

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

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

The following new IFRS pronouncements relevant to the Company have been adopted in these financial statements:

(i) Amendments to IAS 7: Disclosure Initiative (issued January 2016). The amendments are intended to clarify IAS 7 'Statement of Cash Flows' to improve information provided to users of financial statements about an entity's financing activities.

(ii) Amendment to IAS 12 'Recognition of Deferred Tax assets on unrealised losses': The amendments are intended to clarify the uncertainy around application of some of the principles in IAS 12 related to the recognition of a deferred tax asset that is related to a debt instrument measured at fair value.

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 19. No standards have been early adopted.

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

1.2 Income recognition

Income and expense 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. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest *income is recognised on the net lending balance using the rate of interest used to discount the future cash flows for the purpose* of measuring the impairment loss.

Lease classification

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

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

1. Accounting policies (continued)

1.2 Income recognition (continued)

Finance lease income

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

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

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, 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 15.8.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are derecognised when the rights to receive cash flows, or obligations to pay cash flows, have expired.

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

1.4 Derivative financial instruments

The Group enters into a variety of derivative financial instruments 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. Accounting policies (continued)

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.

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 uncollectable, 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.

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.

1.8 Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the income statement 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 income statement (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.

1. Accounting policies (continued)

1.8 Taxation, including deferred income taxes (continued)

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 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.

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.

Collective component

Impairment allowances for portfolios of loans that are below the individual assessment thresholds, and for loan losses that have been incurred but not separately identified at the balance sheet date, are 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 required impairment provisions are calculated collectively 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

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 2017

3. Net interest income

	2017 £'000	2016 £'000
Interest income		
From finance lease and hire purchase contracts	**1,952**	3,715
Interest expense		
Group interest expense (see note 14)	**(344)**	(1,106)
	1,608	2,609

4. Other operating expenses

	2017 £'000	2016 £'000
Management charges payable (see note 14)	**72**	1,258

Fees payable to the Company's auditors for the audit of the financial statements of £18,000 (2016: £7,000) 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.

5. Staff costs

The Company did not have any employees during the year (2016: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2016: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 14).

7. Taxation

	2017 £'000	2016 £'000
a) Analysis of (credit)/charge for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	**(4,049)**	(3,162)
- Adjustments in respect of prior years	**179**	-
Current tax credit	**(3,870)**	(3,162)
UK deferred tax:		
- Origination and reversal of timing differences	**4,253**	3,407
- Due to change in UK corporation tax rate	**(277)**	1,139
- Adjustments in respect of prior years	**(153)**	-
Deferred tax charge (see note 11)	**3,823**	4,546
Tax (credit)/charge	**(47)**	1,384

Corporation tax is calculated at a rate of 19.25% (2016: 20.00%) of the taxable profit for the year.

7. Taxation (continued)

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

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax (credit)/charge for the year is given below:

	2017 **£'000**	2016 £'000
Profit before tax	**1,060**	1,226
Tax charge thereon at UK corporation tax rate of 19.25% (2016: 20.00%)	**204**	245
Factors affecting charge:		
- Due to change in UK corporation tax rate	**(277)**	1,139
- Adjustments in respect of prior years	**26**	-
Tax (credit)/charge on profit on ordinary activities	**(47)**	1,384
Effective rate	**(4.43%)**	125.00%

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**
2017			
Movements in cash flow hedges	**91**	**(17)**	**74**
Other comprehensive income for the year	91	(17)	74
2016			
Movements in cash flow hedges	65	(11)	54
Other comprehensive income for the year	65	(11)	54

8. Dividends

In 2017, a dividend of £45,100 per share was paid, representing a total dividend of £4,510,000 (2016: £nil).

9. Trade and other receivables

	2017 **£'000**	2016 £'000
Amounts due from group undertakings (see note 14)	**272,410**	307,315
Other debtors	**7,226**	18
	279,636	**307,333**

9. Trade and other receivables (continued)

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

10. Loans and advances to customers

	2017 £'000	2016 £'000
Gross loans and advances to customers	**74,691**	52,463
Less: allowance for losses on loans and advances	**(584)**	(377)
Net loans and advances to customers	**74,107**	52,086
of which:		
Due within one year	**18,235**	41,065
Due after one year	**55,872**	11,021
	74,107	52,086

Loans and advances to customers include finance lease receivables:

	2017 £'000	2016 £'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	**20,987**	43,040
- later than one year and no later than five years	**58,214**	11,417
- later than five years	**645**	95
	79,846	54,552
Unearned future finance income on finance lease and hire purchase contracts	**(5,155)**	(2,089)
Net investment in finance lease contracts	**74,691**	52,463

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

	2017 £'000	2016 £'000
- no later than one year	**18,819**	41,442
- later than one year and no later than five years	**55,249**	10,928
- later than five years	**623**	93
	74,691	52,463

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 (2016: £nil).

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

11. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2017 £'000	2016 £'000
Brought forward	**25,272**	29,829
Charge for the year (see note 7)	**(3,823)**	(4,546)
	21,449	25,283
Amount charged to equity		
- Cash flow hedges	**(17)**	(11)
At 31 December	**21,432**	25,272

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

	2017 £'000	2016 £'000
Accelerated capital allowances	**3,823**	4,546

Deferred tax asset comprises:	2017 £'000	2016 £'000
Accelerated capital allowances	**21,430**	25,253
Cash flow hedges	**2**	19
	21,432	25,272

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

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

12. Borrowed funds

	2017 £'000	2016 £'000
Amounts due to group undertakings (see note 14)	**373,346**	389,429

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. An interest rate swap derivative has been used to manage the Company's exposure to interest rate risk. Amounts due to United Dominions Trust Limited and Black Horse Limited are non-interest bearing.

13. Share capital

	2017 £'000	2016 £'000
Allotted, issued and fully paid		
100 ordinary shares of £1 each	**-**	-

14. 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.

	2017 £'000	2016 £'000
Amounts due from group undertakings		
Black Horse Limited	**6,333**	3,234
Lloyds Bank plc	**266,077**	304,081
Total Amounts due from group undertakings (see note 9)	**272,410**	307,315
Amounts due to group undertakings		
Black Horse Limited	**5,355**	13,875
Lloyds UDT Limited	**9,660**	8,149
United Dominions Trust Limited	**358,331**	366,979
Lloyds Bank plc	**-**	426
Total Amounts due to group undertakings (see note 12)	**373,346**	389,429
Derivative financial instruments		
Lloyds Bank plc	**-**	91
Interest expense		
Lloyds Bank plc	**220**	172
Lloyds UDT Limited	**124**	160
United Dominions Trust Limited	**-**	774
Total Interest expense (see note 3)	**344**	1,106
Management charges payable		
Black Horse Limited (see note 4)	**72**	1,258

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, the directors of the Retail Finance Division 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 those groups.

15. Financial risk management

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 the Retail Finance Division, 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 Retail Finance'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.

15.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts and operating leases is managed through the application of strict underwriting criteria, determined by Retail Finance'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.

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.

15. Financial risk management (continued)

15.1 Credit risk (continued)

Loans and advances to customers – maximum exposure

	2017 £'000	2016 £'000
Neither past due nor impaired	**73,919**	51,972
Past due but not impaired	**188**	114
Impaired	**584**	377
Maximum exposure – loans and advances	**74,691**	52,463
Commitments to lend	**-**	-
Maximum credit exposure	**74,691**	52,463

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

	2017 £'000	2016 £'000
Good quality	**62,717**	44,096
Satisfactory quality	**11,169**	7,853
Lower quality	**33**	23
Below standard, but not impaired	**-**	-
Total	**73,919**	51,972

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

	2017 £'000	2016 £'000
Past due up to 30 days	**90**	50
Past due from 30-60 days	**15**	13
Past due from 60-180 days	**83**	51
Total	**188**	114

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

Allowance for loans and advances to customers which are impaired

	2017 £'000	2016 £'000
Brought forward	**377**	168
Advances written off	**(462)**	-
Charge for year (including recoveries)	**669**	209
At 31 December	**584**	377

Notes to the financial statements (continued)
For the year ended 31 December 2017

15. Financial risk management (continued)

15.1 Credit risk (continued)

Allowance for loans and advances to customers which are impaired (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 £nil (2016: £nil).

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 (2016: £nil).

15.2 Liquidity risk

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

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

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. With the exception of derivative financial instruments (see note 15.8), all other financial liabilities are repayable on demand.

15.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company was exposed to interest rate fluctuations due to factors outside the Company in the prior year, 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 relevant finance leases.

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in market swap rates which is the basis for the interest rate on intercompany balances. A 0.17% 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 market swap rates increased in the prior year.

If market swap rates increased by 0.17% (2016: 0.17%) and all other variables remain constant this would increase Interest expense by £nil (2016: £161,000) and accordingly decrease Interest expense by £nil (2016: £161,000) if market swap rates decreased by the same amount.

15.4 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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. Financial risk management (continued)

15.5 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.

15.6 Financial strategy

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

15.7 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.

The aggregated fair value of Loans and advances to customers is approximately £73,851,000 (2016: £51,897,000). Derivative financial instruments are carried at fair value (see note 15.8). The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

15.8 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 contract is £29,000 (2016: £1,330,000). This notional amount will reduce to £nil in 2019 in line with the reduction in the hedged borrowings. The interest terms on the derivative provide for net settlement of fixed rates payable at 1.9000% (2016: between 4.200% and 4.965%) and floating rates receivable based on LIBOR. The carrying value of the outstanding interest rate swap contract is £nil (2016: £91,000).

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 2017, all hedged cash flows are expected to occur so there is no ineffectiveness recognised in the Income statement (2016: £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.

15. Financial risk management (continued)

15.8 Derivative financial instruments (continued)

The decrease in the fair value liability, net of tax, of £74,000 (2016: £54,000) 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	
	2017	2016
	£'000	£'000
0 to 12 months	-	63
1 to 2 years	-	37
2 to 5 years	-	11
5 years +	-	-
	-	111

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.

16. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholders through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the board of directors may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

17. Contingent liabilities and capital commitments

There were no contracted capital commitments at the balance sheet date (2016: £nil).

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £28,766,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

18. Post balance sheet events

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

Notes to the financial statements (continued)

For the year ended 31 December 2017

19. Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 December 2017 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 'Financial Instruments' [1]	Replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018
Amendments to other accounting standards [2]	The IASB has issued amendments to IAS 12 Income Taxes and IFRIC 23 Uncertainty over Income Tax Treatments.	Annual periods beginning on or after 1 January 2019

[1] It is estimated that the new impairment methodology will result in higher impairment provisions of £583,000, predominantly for Loans and advances to customers, recognised on the Company's Balance sheet. The re-classification and measurement of assets under IFRS 9 will have £nil impact on the Company. The total net of tax impact on retained earnings is a reduction of £480,000.

[2] The full impact of this pronouncement is being assessed by the Company. However, the initial view is that it is not expected to cause any material adjustments to the reported numbers in the financial statements.

20. Ultimate parent undertaking and controlling party

The immediate parent company is Black Horse Finance Holdings Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via www.lloydsbankinggroup.com.

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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2017; 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.

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 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of 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
One Kingsway
Cardiff
CF10 3PW

26 September 2018