Lex Autolease Carselect Limited

Annual report and accounts
for the year ended 31 December 2017

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

02849105

Current directors

A J Hartley
C A Parkes
T R Porter

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

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COMPANIES HOUSE

Directors' report

For the year ended 31 December 2017

The directors present their report and the audited financial statements of Lex Autolease Carselect 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: 02849105).

The Company previously provided new motor vehicles and related financial services to Retail customers. All vehicles sold by the Company were purchased from a fellow group undertaking.

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 Finance Division, which is part of the Lloyds Banking Group. While these risks are not managed separately for the Company, the Company is a 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 14 to the financial statements.

Key performance indicators ("KPIs")

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

Future outlook

The Company ceased to write new business on 31 July 2012. The Company will continue to manage its loan book until all the loans have been repaid, at which point, the Company will cease to trade.

The Company is part of the wider Lloyds Banking Group, and, at that level, consideration of many of the potential implications following the UK's vote to leave the European Union has been undertaken. Work continues to assess the impact of EU exit at the level of the Lloyds Banking Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Dividends

A dividend of £9,520,000 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.

There have been no changes to directors between the beginning of the reporting period and the approval of the Annual report and accounts.

Company Secretary

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

P Gittins	(resigned 11 January 2017)
D D Hennessey	(appointed 11 January 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:

CAParkes

C A Parkes
Director

18 September 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Interest income		2	39
Impairment gains/(losses)		4	(13)
Other operating expenses	4	(4)	(28)
Profit/(loss) before tax		2	(2)
Taxation	7	-	-
Profit/(loss) for the year, being total comprehensive income/(expense)		2	(2)

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			
Cash and cash equivalents		**420**	373
Trade and other receivables	8	**27**	9,179
Loans and advances to customers	9	**5**	67
Total assets		**452**	9,619
LIABILITIES			
Borrowed funds	10	**326**	-
Provision for liabilities and charges	11	**25**	-
Current tax liability		**-**	-
Total liabilities		**351**	-
EQUITY			
Share capital	12	**-**	-
Retained earnings		**101**	9,619
Total equity		**101**	9,619
Total equity and liabilities		**452**	9,619

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:

CAParkes

C A Parkes
Director
18th September 2018

Statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016	-	9,621	9,621
Loss for the year being total comprehensive expense	-	(2)	(2)
At 31 December 2016	-	**9,619**	**9,619**
Profit for the year being total comprehensive income	-	2	2
Dividend paid	-	(9,520)	(9,520)
At 31 December 2017	-	**101**	**101**

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 generated from operating activities		
Profit/(loss) before tax	**2**	(2)
Adjustments for:		
- Increase in Provision for liabilities and charges	**25**	-
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	**62**	206
- Net (increase)/decrease in Other debtors	**(25)**	30
Cash generated from operations	**64**	234
Group relief paid	**-**	(39)
Net cash generated from operating activities	**64**	195
Cash flows (used in)/generated from financing activities		
Dividends paid	**(9,520)**	-
Proceeds from net borrowings with group undertakings	**9,503**	21
Net cash (used in)/generated from financing activities	**(17)**	21
Change in Cash and cash equivalents	**47**	216
Cash and cash equivalents at beginning of year	**373**	157
Cash and cash equivalents at end of year	**420**	373

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 pronouncement relevant to the Company has 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.

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2017 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

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

1.2 Income recognition

Income and expense from financial assets

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

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

Lease classification

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

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

Fees and commission income and expense

Fees and commissions which are not an integral part of the effective interest rate (such as commission associated with the sale of insurance underwritten by a third party) are generally recognised in the Statement of comprehensive income on an accruals basis when the service has been provided.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Loans and advances to customers, Other debtors and Cash and cash equivalents. Financial liabilities comprise Borrowed funds.

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.

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

1. Accounting policies (continued)

1.4 Dividends

Dividends on ordinary shares are recognised through equity in the period in which they are paid.

1.5 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.

Included within Loans and advances to customers are certain hire purchase contracts referred to as Personal Contract Purchase ("PCP") agreements. Under the terms of these agreements, customers have the option to either purchase the leased vehicle at the end of the lease term for a pre-agreed sum (the "pre-agreed residual value") or to return the vehicle for sale by the Company at auction.

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 there is no objective evidence of individual impairment, the asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Future cash flows are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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 Statement of comprehensive income.

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 Statement of comprehensive income on a cash receipts basis.

1.6 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, Cash and cash equivalents comprise cash in hand, demand deposits and other short term highly liquid investments with original maturities of less than three months.

1.7 Taxation

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 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.

Notes to the financial statements (continued)

For the year ended 31 December 2017

1. Accounting policies (continued)

1.8 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.

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 under Personal Contract Purchase Agreements

The Company regularly reviews the expected value of all vehicles which it is committed to repurchase at a predetermined price if the customer chooses to return the vehicle. 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 proceeds versus the price at which the Company is committed to purchase; such observable data includes whether there has been an adverse change in the current market prices or economic conditions that correlate with shortfalls in market value.

The Company reviews the value of the assets that it is committed to purchase on a monthly basis by reference to independent market value data and the prevailing economic conditions. The assessment of values is important to the profitability of the Company, with movements over extended periods of time being subject to general fluctuations in used car valuations. The adjustment arising from the reviews is dealt with as set out in note 1.5 above.

Payment Protection Insurance

At 31 December 2017, no provision has been recognised in these financial statements against the cost of making redress payments to customers and the related administration costs in relation to misselling of Payment Protection Insurance ("PPI"). The Company has sold PPI in relation to its personal loan agreements and has received and settled some claims during 2016 and 2017 in respect of past sales of PPI. While there are still a number of uncertainties as to the eventual costs from any such contact and/or redress, the Company expects that the level of payments in respect to such claims will not be material to the Company.

3. Interest income

	2017 £'000	2016 £'000
From hire purchase contracts	-	4
From personal loans	2	7
Group interest income (see note 13)	-	28
	2	39

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £5,000 (2016: £4,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

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

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

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 13).

7. Taxation

	2017 £'000	2016 £'000
Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	-	-

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

There are no reconciling differences between the actual tax charge and the tax charge when applying the effective tax rate to accounting profit.

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.

8. Trade and other receivables

	2017 £'000	2016 £'000
Amounts due from group undertakings (see note 13)	2	9,179
Other debtors (see note 11)	25	-
	27	9,179

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

At 31 December 2017, the Company recognised an asset of £25,000 (2016: £nil) in respect of indemnities from Black Horse Limited in relation to a specific provision (see note 11).

9. Loans and advances to customers

	2017 £'000	2016 £'000
Advances under hire purchase contracts	4	24
Personal loans to customers	25	88
Gross loans and advances to customers	29	112
Less: allowance for losses on loans and advances	(24)	(45)
Net loans and advances to customers	5	67
of which:		
Due within one year	5	60
Due after one year	-	7
	5	67

Notes to the financial statements (continued)

For the year ended 31 December 2017

9. Loans and advances to customers (continued)

Loans and advances to customers include hire purchase receivables:

	2017 £'000	2016 £'000
Gross investment in hire purchase contracts receivable:		
- no later than one year	4	22
- later than one year and no later than five years	-	3
	4	25
Unearned future finance income on hire purchase contracts	-	(1)
Net investment in hire purchase contracts	4	24

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

	2017 £'000	2016 £'000
- no later than one year	4	21
- later than one year and no later than five years	-	3
	4	24

The unguaranteed residual value is £nil (2016: £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 7 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2016: £nil).

Further analysis of Loans and advances to customers is provided in note 14.

10. Borrowed funds

	2017 £'000	2016 £'000
Amounts due to group undertakings (see note 13)	326	-

Amounts due to group undertakings is unsecured and repayable on demand, although there is no expectation that such a demand would be made.

11. Provision for liabilities and charges

	Total £'000
At 1 January and 31 December 2016	-
Charge for the year	25
At 31 December 2017	**25**

During the year, Lloyds Banking Group undertook an exercise relating to potential retrospective rectification activity to provide redress to affected customers in relation to arrears management. The Company has provided for £25,000 (2016: £nil) relating to these redress claims. Black Horse Limited will indemnify the Company against all actions arising from this issue (see note 8).

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

12. Share capital

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

13. 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 income for the year are set out below.

	2017 £'000	2016 £'000
Amounts due from group undertakings		
Black Horse Limited (see note 8)	2	9,179
Amounts due to group undertakings		
Lloyds Bank plc (see note 10)	326	-
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	420	373
Interest income		
Black Horse Limited (see note 3)	-	28

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Statement of comprehensive income.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and the Retail Finance Division. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

14. Financial risk management

The Company's operations expose it to credit risk, liquidity risk and market risk; it is not exposed to any significant interest rate risk, market risk and 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. The remaining 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.

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

14.1 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 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').

Cash and cash equivalents are held with other companies within the Group. The credit risk associated with these financial assets and Amounts due from group undertakings is not considered to be significant.

14. Financial risk management (continued)

14.1 Credit risk (continued)

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.
- Credit scoring: In its principal Retail portfolios, the Company uses statistically based decision techniques (primarily credit scoring). Divisional risk departments review scorecard effectiveness and approve changes, with material changes subject to Group Risk approval.
- 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.

Credit concentration - Loans and advances to customers

The Company lends predominantly to retail customers (being private individuals) geographically located in the United Kingdom.

Loans and advances to customers – maximum exposure

	2017 £'000	2016 £'000
Neither past due nor impaired	7	59
Past due but not impaired	3	8
Impaired	19	45
Maximum exposure – loans and advances	29	112
Maximum credit exposure	29	112

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

	2017 £'000	2016 £'000
Good quality	7	51
Satisfactory quality	-	8
Total	7	59

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.

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

14. Financial risk management (continued)

14.1 Credit risk (continued)

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

	2017 £'000	2016 £'000
Past due up to 30 days	3	8

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	45	96
Advances written off	(17)	(65)
(Gain)/charge for year (including recoveries)	(4)	13
Recoveries of prior advances written off	-	1
At 31 December	24	45

The criteria used to determine that there is objective evidence of an impairment is disclosed in note 1.5. All Loans and advances to customers are individually assessed for impairment.

Included within the provision for the year is £7,000 (2016: £7,000) relating to impairment of assets under PCP agreements (See note 2 for further details).

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).

14.2 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.

14.3 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.

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

14.4 Financial strategy

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

14. Financial risk management (continued)

14.5 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair values of Loans and advances to customers are 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 directors consider that there are no significant differences between the carrying amounts shown in the Balance sheet and the fair value.

15. 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.

16. Contingent liabilities and capital commitments

There were no contracted capital commitments at the balance sheet date (2016: £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 £499,000 (2016: £489,000).

The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due on the Company.

17. 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

18. 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'	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	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

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that they are not expected to cause any material adjustments to the reported numbers in the financial statements.

19. Ultimate parent undertaking and controlling party

The immediate parent company is ACL Autolease 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 Lex Autolease Carselect Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lex Autolease Carselect 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 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 Lex Autolease Carselect 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 from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Mark Ellis

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

18th September 2018