LEX VEHICLE LEASING LIMITED

Directors' report and financial statements

For the year ended 31 December 2017

Registered number: 02952868

Lex Vehicle Leasing Limited

Directors' report and financial statements

Contents

Registered number: 02952868

Lex Vehicle Leasing Limited

Director and company information

Directors

C A Parkes
T R Porter
A J Hartley

Company secretary

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

Registered Office:
Charterhall House
Charterhall Drive
Chester
Cheshire
CH88 3AN

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Kingsway
Cardiff
CF10 3PW

Lex Vehicle Leasing Limited

Directors' report for the year ended 31 December 2017

The directors present their report together with the audited financial statements of Lex Vehicle Leasing Limited (the "Company") for the year ended 31 December 2017.

Principal activities

Lex Vehicle Leasing Limited is a limited liability company incorporated and domiciled in the United Kingdom. The principal activity of the Company is to act as a property holding company.

Business review

Further to the transfer of the remaining vehicle assets under the management of the Company to another group company, Lex Autolease Limited, during 2011 the Company's core business activity as an agent was also transferred to Lex Autolease Limited. This was part of a strategic decision to consolidate the vehicle leasing businesses within the Group.

Other operating expenses incurred during the current year relate primarily to the depreciation of property, plant and equipment.

Results and dividend

The results for the year are set out on page 8. The Company made a loss before taxation of £347,000 during the year (2016: loss before taxation of £329,000). The directors do not recommend the payment of a dividend (2016: £nil).

A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Lloyds Banking Group, which ceased trading on 31 December 2010. Further details can be found in note 12.

Key performance indicators ('KPIs')

The Group's operations are managed on a divisional basis. At year end, the Company was included within the Retail Finance Division.

As at 31 December 2017 the Company had total assets of £93,961,000 (2016: £94,937,000).

Given the reduced activity of the Company following the transfer of the Company's business activity to another group company in 2011, the directors do not consider analysis using KPIs is required.

Risk management

The control of overall risk within the Company lies with the board of directors. Further information surrounding these risks can be found within note 2.

Future developments

Following the transfer of all remaining vehicles under the management of the Company to a fellow group company during 2011, it is the intention of the directors to review the financial assets and liabilities of the Company with a view to eventually making the Company dormant.

Directors

The directors who held office at the date of signing the financial statements are shown on page 1.

Directors' indemnities

The Group 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. The indemnity remains in force for the duration of a Director's period of office. The deed indemnifies the Directors to the maximum extent permitted by law. The Deed for existing Directors is 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 in respect of the financial statements

The directors are responsible for preparing the Directors' report and the financial statements 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
- the director has 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.

Directors' report for the year ended 31 December 2017 *(continued)*

Going concern

Having considered the risks and uncertainties of the Company following the transfer of all business activities to Lex Autolease Limited during 2011, the directors are satisfied that the Company has adequate funding and resources to meet all future obligations. Consequently the going concern basis continues to be appropriate in preparing the financial statements.

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.

On behalf of the board

C A Parkes

C A Parkes
Director

Date: 26 September 2018

Independent auditors' report to the member of Lex Vehicle Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lex Vehicle 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 loss 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, 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.

Independent auditors' report to the member of Lex Vehicle Leasing Limited
(continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 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.

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 3, 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.

Independent auditors' report to the member of Lex Vehicle Leasing Limited
(continued)

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.

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

Date: 26 Septembr 2018

Lex Vehicle Leasing Limited

Statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Other operating expenses		**(347)**	(329)
Loss before taxation	4	**(347)**	(329)
Taxation	5	**1**	7
Loss for the year, being total comprehensive expense		**(346)**	(322)

The accompanying notes on pages 12 to 18 are an integral part of the financial statements.

Registered number: 02952868

Lex Vehicle Leasing Limited

Balance sheet
as at 31 December 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Property, plant and equipment	6	**10,821**	11,120
Total non-current assets		**10,821**	11,120
Current assets			
Amounts due from group companies	10	**83,140**	83,817
Total current assets		**83,140**	83,817
Total assets		**93,961**	94,937
Equity and liabilities			
Non-current liabilities			
Deferred tax liabilities	7	**2**	3
Total non-current liabilities		**2**	3
Current liabilities			
Amounts owed to group companies	10	**-**	629
Total current liabilities		**-**	629
Total liabilities		**2**	632
Equity			
Share capital	8	**-**	-
Retained earnings		**93,959**	94,305
Total equity		**93,959**	94,305
Total equity and liabilities		**93,961**	94,937

The financial statements on pages 8 to 18 were approved by the board of directors on 26 September 2018 and were signed on its behalf by:

C A Parkes

C A Parkes
Director

The accompanying notes on pages 12 to 18 are an integral part of the financial statements.

Registered number: 02952868

Lex Vehicle Leasing Limited

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	-	**94,627**	**94,627**
Loss and total comprehensive expense for the year	-	(322)	(322)
At 31 December 2016	-	**94,305**	**94,305**
Loss and total comprehensive expense for the year	-	(346)	(346)
At 31 December 2017	-	**93,959**	**93,959**

The accompanying notes on pages 12 to 18 are an integral part of the financial statements.

Lex Vehicle Leasing Limited

Cash flow statement

for the year ended 31 December 2017

	2017	2016
	£000	£000
Cash flows from operating activities		
Loss before taxation	**(347)**	(329)
Adjustments for:		
Depreciation of property, plant and equipment	**299**	329
Decrease in other receivables	**-**	7
Net cash (used in)/generated from operating activities	**(48)**	7
Cash flows generated from financing activities		
Decrease in amounts due from group companies	**677**	45,656
Decrease in amounts due to group companies	**(629)**	(45,663)
Net cash generated from/(used in) financing activities	**48**	(7)
Net movement in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning and end of year	**-**	-

The accompanying notes on pages 12 to 18 are an integral part of the financial statements.

Notes to the financial statements
for the year ended 31 December 2017

1. Significant accounting policies

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 to 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.

No new IFRS pronouncements relevant to the Company have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which have not been applied in preparing these financial statements are given in note 11.

The financial statements have been prepared under the historical cost convention.

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 liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Financial assets and liabilities

Financial assets of the Company include amounts due from group companies and other receivables.

Financial liabilities of the Company include amounts owed to group companies.

1. Significant accounting policies *(continued)*

Taxation

Tax on the profit for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that are enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The tax effect of losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

a) Freehold land and buildings and Long Leasehold land and buildings
The cost of each freehold and long leasehold building is depreciated on a straight line basis over its estimated useful life of 48 years.

b) Office fixtures and fittings
The cost of the fixtures and fittings is depreciated on a straight line basis at annual rates between 10% and 33%. Computer equipment is depreciated on a straight line basis at annual rates between 20% and 33%.

2. Risk management policy

Following the transfer of the Company's agency business to Lex Autolease Limited in 2011, the Company's exposures to risk are minimal as the operational risks associated with these business activities were also transferred.

Responsibility for the control of the overall risk lies with the board of directors, operating within a managerial framework established by the Retail Finance Division of the ultimate parent, Lloyds Banking Group plc.

2. Risk management policy *(continued)*

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 shareholder 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 the shareholder, return capital to the shareholder, 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.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Other than the estimation of useful economic life of property, plant and equipment (see note 6) there are no significant estimates or judgements that have been used in the preparation of these financial statements.

4. Loss before taxation

Loss before taxation has been arrived at after charging:

	2017	2016
	£000	£000
Depreciation of property, plant and equipment	**299**	329

Auditors' remuneration for audit services of £3,000 (2016: £3,000) was borne by a fellow group company during 2017 and 2016.

The cost of accounting and administration services are borne by a fellow subsidiary undertaking. The Company did not directly employ any person during the year (2016: none) and as such no employee costs have been included in the statement of comprehensive income.

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

5. Taxation

	2017 **£000**	2016 £000
UK Corporation tax:		
Current tax on taxable profit for the year	-	-
Deferred tax:		
Origination and reversal of temporary differences	**(1)**	(7)
Total tax credit	**(1)**	(7)

Reconciliation of effective tax rate

	2017 **£000**	2016 £000
Loss before taxation	**(347)**	(329)
Income tax using the blended rate of corporation tax in the UK of 19.25% (2016: 20%)	**(67)**	(66)
Effects of:		
Timing differences not recognised	**10**	-
Non-deductible expenses	**56**	59
Tax credit for the year	**(1)**	(7)

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

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

6. Property, plant and equipment

	Freehold land and buildings £000	Long leasehold land and buildings £000	Office fixtures and fittings £000	Total £000
Cost				
1 January 2017	14,483	113	4,740	19,336
Disposals	-	(95)	(4,740)	(4,835)
31 December 2017	**14,483**	**18**	**-**	**14,501**
Accumulated depreciation				
1 January 2017	3,381	97	4,738	8,216
Charge for the year	291	6	2	299
Disposals	-	(95)	(4,740)	(4,835)
31 December 2017	**3,672**	**8**	**-**	**3,680**
Net book value				
At 31 December 2017	**10,811**	**10**	**-**	**10,821**
Net book value				
At 31 December 2016	11,102	16	2	11,120

The directors considered that there were no contracted commitments at 31 December 2017 (2016: none). Freehold land of £3,250,000 (2016: £3,250,000) has not been depreciated.

Details of the movement in property, plant and equipment in 2016 are as follows:

	Freehold land and buildings £000	Long leasehold land and buildings £000	Office fixtures and fittings £000	Total £000
Cost				
1 January 2016 and 31 December 2016	14,483	113	4,740	19,336
Accumulated depreciation				
1 January 2016	3,089	89	4,709	7,887
Charge for the year	292	8	29	329
31 December 2016	3,381	97	4,738	8,216
Net book value				
At 31 December 2016	11,102	16	2	11,120
Net book value				
At 31 December 2015	11,394	24	31	11,449

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

7. Deferred tax

The movement for the year was as follows:

	2017 £000	2016 £000
At 1 January - liability	(3)	(10)
Recognised in statement of comprehensive income:		
Origination and reversal of temporary differences	1	7
At 31 December – liability	**(2)**	(3)

Deferred tax balances relate to accelerated capital allowances.

Deferred tax assets of £292,000 relating to miscellaneous losses have not been recognised on the basis that the Company has insufficient forecast taxable profits to recover the asset in future periods. Subject to some conditions miscellaneous losses can be carried forward indefinitely and offset against future taxable profits.

8. Share capital

	2017 £	2016 £
Allotted, issued and fully paid		
2 (2016: 2) ordinary shares of £1 each	2	2

9. Parent undertaking

The Company's immediate parent company is Lex Vehicle Leasing (Holdings) Limited. The company regarded by the director as the ultimate parent company and controlling party is Lloyds Banking Group plc, a public limited liability company incorporated and domiciled 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.

Bank of Scotland plc is the parent undertaking of the smallest such group of undertakings. Copies of the group financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

10. Related party transactions

Transactions with group companies

Outstanding balances at the year end with group companies are as follows:

	2017	2016
	£000	£000
	Debtor/ (creditor)	Debtor/ (creditor)
Outstanding balances:		
Balance due from group companies	**83,140**	83,817
Balance owed to group companies	-	(629)

Balances with group companies are repayable on demand, although there is no expectation such a demand would be made. Interest is not charged on these balances.

Transactions with director and key managers

No remuneration was paid or is payable by the Company to the directors (2016: £nil). The directors are employed by other companies within Lloyds Banking Group plc and consider that their duties to this Company are incidental to their other activities within the Group.

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management personnel comprise the directors of the Company and certain other senior management within Retail Finance Division. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their activities within the Group.

11. Accounting standards

Given the intention of the directors to make the Company dormant, the Company will not be impacted by future changes to accounting standards.

12. Contingent liabilities

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 £10,155,000 (including interest) (2016: £9,934,000). 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.

13. Post balance sheet events

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