

LLOYDS BANK LEASING (NO. 8) LIMITED

31 December 2014

Member of Lloyds Banking Group

Registered Number: 5148237

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30/09/2015

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COMPANIES HOUSE

LLOYDS BANK LEASING (NO. 8) LIMITED

DIRECTORS

C G Dowsett
G A Fox
K C Harris

COMPANY SECRETARY

M A A Johnson

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

REGISTERED OFFICE

25 Gresham Street
London
EC2V 7HN

COUNTRY OF INCORPORATION

England and Wales

REGISTERED COMPANY NUMBER

5148237

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 2014.

The Company qualifies as a small company in accordance with Sections 381-382 of the Companies Act 2006 (the "Act") and the directors' report has therefore been prepared taking into consideration the provisions of Part 15 of the Act.

REVIEW OF BUSINESS

During the year, the principal activity of the company was the leasing of plant and equipment through finance lease transactions. The company sold their remaining finance leases during the year and therefore the principal activity of the company going forward will be the management of financial assets and liabilities.

The results of the company show a loss before taxation of £5,136,000 (2013: £6,645,000 profit) for the year as set out in the statement of comprehensive income on page 6.

The company has a net deficit on shareholder's equity of £5,937,000 (2013: £7,545,000).

The company is reliant on funding provided by Lloyds Banking Group plc. The directors are satisfied that it is the intention of Lloyds Banking Group plc that its subsidiaries, including the company, will continue to receive funding in the future and, accordingly, the financial statements have been prepared on a going concern basis.

DIVIDENDS

The directors did not authorise or pay any dividends during the year (2013: £nil).

DIRECTORS

The names of the directors of the company are shown on page 1. There were no changes in directors during the year.

No director had any interest in any material contract or arrangement with the company during or at the end of the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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. 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.

DIRECTORS' REPORT (CONTINUED)

INDEPENDENT AUDITORS' APPOINTMENT

PricewaterhouseCoopers LLP are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

PRINCIPAL RISKS AND UNCERTAINTIES

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. For further details please refer to note 16 'Risk management of financial instruments' in these 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.

On behalf of the board



K C Harris
Director

Date: 22/09/15

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYDS BANK LEASING (NO. 8) LIMITED

Report on the Financial Statements

Our opinion

In our opinion, Lloyds Bank Leasing (No. 8) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2014;
- the balance sheet as at 31 December 2014;
- the statement of changes in shareholder's equity for the year then ended;
- cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. 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 prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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 and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members 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 MEMBERS OF LLOYDS BANK LEASING (NO. 8) LIMITED (CONTINUED)

What an audit of financial statements involves

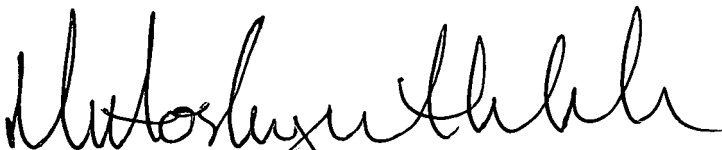
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Mark Hoskyns-Abraham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

Date:

24/9/15.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Finance income	2	1,036	2,094
Other operating income	3	26,959	5,165
Other operating expenses	4	(32,214)	(125)
Impairment charge	5	-	(78)
Administration expenses	6	(24)	(35)
Foreign exchange loss		(893)	(376)
(Loss)/profit before taxation	7	(5,136)	6,645
Taxation credit/(charge)	8	6,744	(7,749)
Profit/(loss) after taxation and total comprehensive income/(loss) for the year attributable to owners of the parent		1,608	(1,104)

The accompanying notes are an integral part of the Financial Statements.

LLOYDS BANK LEASING (NO. 8) LIMITED

BALANCE SHEET
As at 31 December 2014

	Note	2014 £000	2013 £000
Assets			
Non-current assets			
Finance lease receivables	9	-	14,438
Deferred taxation	13	-	41,354
Total non-current assets		-	55,792
Current assets			
Amounts owed by group companies	10	48,098	3,769
Other debtors		-	20
Total current assets		48,098	3,789
Total assets		48,098	59,581
Liabilities			
Current liabilities			
Amounts owed to group companies	11	54,035	67,126
Total current liabilities		54,035	67,126
Equity			
Share capital	14	-	-
Accumulated losses	15	(5,937)	(7,545)
Total equity		(5,937)	(7,545)
Total liabilities and equity		48,098	59,581

The financial statements on pages 6 to 21 were approved by the Board of Directors on 22/09/15 and signed on its behalf by:



K C Harris
Director

Registered Number: 5148237

The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £000	Accumulated losses £000	Total equity £000
Balance at 31 December 2012	15	-	(6,441)	(6,441)
Total comprehensive loss for the year				
Loss for the year	15	-	(1,104)	(1,104)
Balance at 31 December 2013	14, 15	-	(7,545)	(7,545)
Total comprehensive income for the year				
Profit for the year	15	-	1,608	1,608
Balance at 31 December 2014	14, 15	-	(5,937)	(5,937)

The accompanying notes are an integral part of the Financial Statements.

LLOYDS BANK LEASING (NO. 8) LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2014

	Note	2014 £000	2013 £000
Net cash flow from operating activities	17	<u>(16,732)</u>	<u>(5,902)</u>
Net movement in cash and cash equivalents		(16,732)	(5,902)
Cash and cash equivalents at beginning of the year		<u>(37,303)</u>	<u>(31,401)</u>
Cash and cash equivalents at end of the year		<u><u>(54,035)</u></u>	<u><u>(37,303)</u></u>
Cash and cash equivalents are comprised of:			
Bank overdraft	11	<u>(54,035)</u>	<u>(37,303)</u>
		<u><u>(54,035)</u></u>	<u><u>(37,303)</u></u>

The accompanying notes are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss.

The financial statements have been prepared in accordance with Companies Act 2006 applicable to companies reporting under IFRSs.

The financial statements also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing financial support provided by Lloyds Bank plc. After making appropriate enquiries, the directors believe that it is appropriate for the financial statements to be prepared on the going concern basis.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the company's results and financial position, based upon materiality and significant judgements and estimates, are discussed below.

- Impairment

The company regularly reviews the portfolio of financial assets for impairment. In determining whether an impairment has occurred at the balance sheet date the company considers whether there is any observable data indicating that there has been a measurable decrease in the estimated future cash flows or 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 repayments or values of underlying assets. Where this is the case, the impairment loss is measured in accordance with note 1(b) below.

1(a) Leases

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all 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 amount due from a lessee is recorded as a receivable at the present value of the lease payments being the company's net investment in the lease. 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 costs attributed to negotiating and arranging a finance lease are included in the initial measurement of the finance lease receivable thus reducing the amount of income recognised over the lease term. Fees and commissions received are deferred and recognised as an adjustment to the effective interest rate on the lease over the lease term.

A change in corporation tax can give rise to a reduction or increase in deferred tax. Due to tax rate variation clauses in some of the company's this may lead to a reduction or increase in lease rentals. This change in the lease rentals can give rise to a change in the interest rate implicit in the lease which when applied retrospectively, produces a one-off adjustment of the finance lease receivables carrying value. This one-off adjustment is reported as either an impairment or other income in the statement of comprehensive income

1(b) Impairment

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.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and/or interest;
- Indications that the borrower or group of borrowers is experiencing significant financial difficulty;
- Restructuring of debt to reduce the burden on the borrower;
- Breach of loan covenants or conditions; and
- Initiation of bankruptcy.

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 the estimated future cash flows discounted at the asset's implicit rate in the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)**1(b) Impairment (continued)**

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 carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as a credit to the statement of comprehensive income.

1(c) Taxation

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Income tax payable on profits is recognised as an expense in the period in which those profits arise. The tax effects 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 tax related to fair value re-measurement of financial assets and liabilities, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

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.

1(d) Dividends

Dividends are recognised in equity only when the company has the obligation to pay the ordinary shareholder.

1(e) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and amounts due from banks with original maturities of less than three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1(f) Fair value

The fair value of finance lease receivables is derived from a present value cash flow model of expected cash flows from the lease using current market interest rates and margin for the risks inherent in the lease.

1(g) Derivative financial instruments

All derivatives are recognised at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and using valuation techniques, including discounted cash flow and options pricing models, as appropriate. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of any derivative instrument that is not part of a hedging relationship are recognised immediately in the statement of comprehensive income.

Derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income.

The method of recognising the movements in the fair value of the derivatives depends on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of the same. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship must be tested throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its objective the hedge relationship is terminated.

The company designates derivatives as hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)**1(g) Derivative financial instruments (continued)**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income, and in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. 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 statement of comprehensive income.

The company documents at the inception of the transaction the relationship between hedging instrument and the hedged item. The company also documents its assessment both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability, if the maturity of the hedged item is less than 12 months.

1(h) Foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in sterling, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in equity as qualifying cash flow hedges.

2 Finance income

	2014 £000	2013 £000
Finance lease income	(5)	(25)
Interest receivable on derivative financial instruments	1,041	2,119
	<u>1,036</u>	<u>2,094</u>

Finance lease income represents the income component of finance lease receivables earned in the year, being finance lease rentals less capital repayment.

3 Other operating income

	2014 £000	2013 £000
Financial assets held at fair value through the profit or loss (note 12)	26,959	5,165
	<u>26,959</u>	<u>5,165</u>

4 Other operating expenses

	2014 £000	2013 £000
Swap fees paid	56	125
Loss on termination of finance lease assets	32,158	-
	<u>32,214</u>	<u>125</u>

During the year, the company terminated its three remaining finance leases, resulting in a loss on termination of £32,158,000.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Impairment charge

	2014 £000	2013 £000
Tax rate variation	-	78
	<u>-</u>	<u>78</u>

The reduction in the main rate of corporation tax from 23% to 21% and then to 20% is disclosed further in note 13.

The change in the rates of corporation tax gave rise to a reduction in deferred taxation and, because of tax rate variation clauses in the leases, a reduction in the lease rentals. This reduction in rentals gave rise to a reduction in the interest rate implicit within the lease which when applied retrospectively, produced an impairment of the finance lease receivables.

6 Administration expenses

	2014 £000	2013 £000
Professional fees and other related expenses	24	35
	<u>24</u>	<u>35</u>

7 (Loss)/profit before taxation

Audit fees for the company are borne by the ultimate parent company.

The company has no employees (2013: nil).

The directors, who are considered to be key management, received no remuneration in respect of their services to the company. The emoluments of the directors are paid by a fellow group undertaking on behalf of the ultimate parent, Lloyds Banking Group plc, which makes no recharge to the company. The directors are also directors of a number of other subsidiaries of the Group and are also substantially engaged in managing their respective business areas within the Group. Given this, it is not possible to make an accurate apportionment of directors' emoluments in respect of their services to each of the subsidiaries. Accordingly, these financial statements include no emoluments in respect of the directors.

8 Taxation credit/(charge)

	2014 £000	2013 £000
The taxation credit/(charge) for the year comprises:		
Current tax receivable/(payable) on (loss)/profit for the year	48,098	(1,641)
Total current tax receivable/(payable) for the year	<u>48,098</u>	<u>(1,641)</u>
Deferred taxation (note 13)	(44,455)	96
Impact of tax rate change (note 13)	3,101	(6,204)
Total taxation credit/(charge) for the year	<u>6,744</u>	<u>(7,749)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Taxation credit/(charge) (continued)

Where taxation on the company's (loss)/profit for the year differs from the taxation credit/(charge) that would arise using the standard rate of corporation tax of 21.5% (2013: 23.25%), the differences are explained below:

	2014 £000	2013 £000
(Loss)/profit before taxation	(5,136)	6,645
Tax at standard rate of corporation tax	1,104	(1,545)
Impact of tax rate change	3,101	(6,204)
Disallowed and non-taxable items	2,539	-
Total taxation credit/(charge)	6,744	(7,749)

The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

On 8 July 2015, the Government announced that the corporation tax rate applicable from 1 April 2017 would be 19% and from 1 April 2020 would be 18%. The proposed reductions in the rate of corporation tax are expected to be enacted during 2015.

9 Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts receivable under finance leases				
Within 1 year	-	130	-	-
2 - 5 years inclusive	-	2,798	-	-
After 5 years	-	23,180	-	14,438
	-	26,108	-	14,438
Less: Unearned finance income	-	(11,670)		
Present value of minimum lease payments receivable	-	14,438		
Analysed as:				
Non-current finance lease receivable	-	14,438		
	-	14,438		

The fair value of the company's finance lease receivables at 31 December 2014 is £nil (2013: £13,383,000), as the remaining three leases were terminated during the year.

In 2008, the company entered into an arrangement to transfer beneficial ownership of 95% of the future receivable on the finance leases to a fellow group company.

10 Amounts owed by group companies

	2014 £000	2013 £000
Interest receivable	-	451
Group relief receivable	48,098	3,318
	48,098	3,769

For further details please refer to note 18.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Amounts owed to group companies

	2014 £000	2013 £000
Bank overdraft	54,035	37,303
Derivative financial instruments (note 12)	-	29,823
	<u>54,035</u>	<u>67,126</u>

For further details please refer to note 18.

12 Derivative financial instruments

Derivative financial instruments include cross currency swaps. A cross currency swap is an agreement between two parties to exchange two currencies on a specific date at a rate agreed at the time of the conclusion of the contract. This agreement was entered into in order to hedge against the variability between USD and GBP rates on the lease rentals. These swaps were originally designated as cash flow hedges.

In 2008, the company entered into a rent factoring agreement with Lloyds Bank plc. This agreement entitles Lloyds Bank plc to 95% of the rental amounts received during the period. Due to this rent factoring agreement, the derivative financial instruments no longer meet the criteria required to use hedge accounting on fair value movements and therefore the fair value movement is charged to the statement of comprehensive income. The fair values of these derivative financial instruments are based on discounted cash flow models at 31 December.

	Contractual/ Notional amount		Fair Values Liabilities £000
	£000	\$000	
31 December 2014			
Cross currency swaps	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2013			
Cross currency swaps	10,255	34,414	29,823
	<u>10,255</u>	<u>34,414</u>	<u>29,823</u>

13 Deferred taxation

	2014 £000	2013 £000
At beginning of the year	41,354	47,462
Deferred taxation (charge)/credit for the year	(44,455)	96
Impact of tax rate change	3,101	(6,204)
	<u>-</u>	<u>41,354</u>
At end of the year	-	41,354

The deferred taxation charge in the statement of comprehensive income comprises the following:

	2014 £000	2013 £000
Capital allowances on assets leased to customers	(27,821)	(4,078)
Recycled derivative movement	(13,533)	(2,030)
	<u>(41,354)</u>	<u>(6,108)</u>
Total deferred taxation charge	(41,354)	(6,108)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Deferred taxation (continued)

Deferred taxation assets are comprised as follows:

	2014 £000	2013 £000
Deferred taxation assets		
Accelerated capital allowances	-	27,821
Recycled derivative movement	-	13,533
	<hr/>	<hr/>
Total deferred taxation assets	-	41,354
	<hr/>	<hr/>

The Finance Act 2013 (the Act) was substantively enacted on 2 July 2013. The Act further reduced the main rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015.

On 8 July 2015, the Government announced that the corporation tax rate applicable from 1 April 2017 would be 19% and from 1 April 2020 would be 18%. The proposed reductions in the rate of corporation tax are expected to be enacted during 2015.

14 Share capital

	2014 £	2013 £
Allotted, issued and fully paid		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

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 makes 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 company's parent may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or enter into debt financing.

The company's capital comprises all components of equity, movements in which appear in the statement of changes in shareholder's equity.

15 Accumulated losses

	2014 £000	2013 £000
At beginning of the year	(7,545)	(6,441)
Profit/(loss) after taxation and total comprehensive income/(loss) for the year	1,608	(1,104)
	<hr/>	<hr/>
At end of the year	(5,937)	(7,545)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Risk management of financial instruments

The primary financial risks affecting the company are: credit risk, liquidity risk and market risk (which include interest rate risk and foreign currency risk). Information on the management of these financial risks and further disclosures is given below.

In accordance with IAS39 "Financial instruments: Recognition and measurement", the following financial instruments, including derivatives, are classified as shown:

	Held at cost/amortised cost £000	Held at Fair Value £000	Loans or receivables £000	Total £000
At 31 December 2014				
Assets				
Amounts owed by group companies	48,098	-	-	48,098
Total financial assets	48,098	-	-	48,098
Liabilities				
Amounts owed to group companies	54,035	-	-	54,035
Total financial liabilities	54,035	-	-	54,035
At 31 December 2013				
Assets				
Finance lease receivables	-	-	14,438	14,438
Amounts owed by group companies	3,769	-	-	3,769
Other debtors	20	-	-	20
Total financial assets	3,789	-	14,438	18,227
Liabilities				
Amounts owed to group companies	37,303	29,823	-	67,126
Total financial liabilities	37,303	29,823	-	67,126

Credit risk management:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum credit risk exposure of the company in the event of other parties failing to perform their obligations is detailed below. The maximum exposure to loss is considered to be the balance sheet carrying amount as at 31 December.

	2014 £000	2013 £000
Financial assets which are neither past due nor impaired for credit risk:		
Finance lease receivables	-	14,438
Amounts owed by group companies	48,098	3,769
Other debtors	-	20
Total credit risk exposure	48,098	18,227

Credit risk management is performed by various committees established by its ultimate parent, Lloyds Banking Group plc. Each lease or loan is assessed for credit risk prior to approval and assigned a credit rating based on the credit risk rating methodology and management policy of the Lloyds Banking Group plc. Credit ratings of the lease counterparties are monitored, where necessary revised, over the life of the lease. The table below reflects the credit rating of the financial assets portfolio net of any financial guarantees received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Risk management of financial instruments (continued)

Credit risk management (continued):

Financial assets by credit rating:

	AAA	AA	A	BBB	Rated BB or lower	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
At 31 December 2014							
Amounts owed by group companies	-	-	48,098	-	-	-	48,098
Total	-	-	48,098	-	-	-	48,098
At 31 December 2013							
Finance lease receivables	-	-	14,438	-	-	-	14,438
Amounts owed by group companies	-	-	3,769	-	-	-	3,769
Other debtors	-	-	-	-	-	20	20
Total	-	-	18,207	-	-	20	18,227

At the balance sheet date the company assesses if there is objective evidence that the financial assets have become impaired. Evidence of impairment may include indications that the counterparty is experiencing financial difficulty, default or delinquency in settlements of amounts due or debt restructurings to reduce the financial burden on the counterparty.

At 31 December 2014 and 2013 there were no impairments relating to credit risk against any financial assets. The credit risk exposure under short-term debtors, deposits and other financial assets are represented by the book values in the above table.

For financial assets held at amortised cost the fair value approximates to their carrying values, except for leases whose fair value is disclosed in note 9.

Fair Value Estimation:

The table below provides an analysis of the financial assets and liabilities of the company's that are carried at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable as defined below:

- Quoted prices (unadjusted) in active markets of identical assets and liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly, or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (level 3)

As at 31 December 2014, the company did not hold any financial assets or liabilities at fair value.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2013				
Derivative financial instruments	-	29,823	-	29,823
Financial liabilities	-	29,823	-	29,823

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Risk management of financial instruments (continued)

Liquidity risk management:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The liquidity profile of financial liabilities at year end was as follows:

At 31 December 2014	Bank overdraft £000	Derivatives £000	Total Liabilities £000
On demand	54,035	-	54,035
Up to 1 month	-	-	-
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	-	-
Total	54,035	-	54,035
At 31 December 2013	Bank overdraft £000	Derivatives £000	Total Liabilities £000
On demand	37,303	-	37,303
Up to 1 month	-	-	-
1-3 months	-	-	-
3-12 months	-	-	-
1-5 years	-	-	-
Over 5 years	-	29,823	29,823
Total	37,303	29,823	67,126

The fair value of current liabilities approximates their carrying values.

Interest rate risk management:

Interest rate risk is the risk that the future cash flows and fair values of a financial instrument may fluctuate because of changes in market interest rates.

The company takes into account the exposure on fluctuations in the prevailing levels of market interest rates on its cash flows when structuring its operations by ensuring the interest terms of its finance income is matched to the variable interest terms of the borrowing used to finance the leasing portfolio. As such the company has no material exposure to financial risk arising from changes in market interest rates.

The company has no exposure to variable rate financial assets and liabilities.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Exposure to foreign currency fluctuations arises due to its financial assets and liabilities being denominated in foreign currencies. The company hedges the majority of its foreign currency exposure by taking out foreign currency swaps where necessary. The fair value of any currency swap is included within derivative financial instruments if applicable.

At the year end, if the currency had fluctuated by +/- 25 basis points against the USD, with all other variables held constant, the post tax profit would not change significantly due to assets/liabilities denominated in USD.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Notes to the cash flow statement

	2014 £000	2013 £000
(Loss)/profit before taxation	(5,136)	6,645
Add/(less) non cash items:		
Impairment charge	-	78
Foreign exchange movement	893	376
Gain on mark to market of derivative contracts	-	(5,165)
Operating cash flows before movements in working capital	(4,243)	1,934
Movement in receivables	14,927	(124)
Movement in payables	(30,734)	(5,063)
Cash generated by operations	(20,050)	(3,253)
Group relief received/(paid)	3,318	(2,649)
Net cash flow from operations	(16,732)	(5,902)

18 Related parties

The company's immediate parent company is Lloyds Bank Leasing Limited. The company regarded by the directors as the ultimate parent company and ultimate controlling party is Lloyds Banking Group plc, a 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. Lloyds Bank plc is the parent company of the smallest such group of undertakings. Copies of the group financial statements may be obtained from the company secretary's office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN or downloaded via www.lloydsbankinggroup.com.

The company's related parties include other companies in the Lloyds Banking Group and the company's key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company, which is determined to be the company's directors, who are listed on page 1 of these financial statements.

In respect of related party transactions, the outstanding balances receivable/(payable) at 31 December were as follows:

Nature of transaction	Related party	Related party relationship	2014 £000	2013 £000	Terms and conditions Repayment	Interest
Bank overdraft	Lloyds Bank plc	Intermediate parent company	(54,035)	(37,303)	No fixed date	N/A
Derivative financial instruments payable	Lloyds Bank plc	Intermediate parent company	-	(29,823)	N/A	N/A
Group relief receivable	Lloyds Bank plc	Intermediate parent company	48,098	3,318	No fixed date	N/A
Interest receivable	Lloyds Bank plc	Intermediate parent company	-	451	N/A	N/A

There were no doubtful debts or bad debt expenses relating to the above balances incurred during the year.

The company earned interest on derivative financial instruments of £1,041,000 (2013: £2,119,000).

The company received/(paid) group relief of £3,318,000 (2013: £2,649,000) during the year from/(to) fellow subsidiary undertakings.

19 Adopted accounting standards

The following accounting standard changes were adopted by the company during the year.

<u>Pronouncement</u>	<u>Nature of change</u>	<u>Adoption date</u>
Amendment to IAS 32 Financial Instruments: Presentation – 'Offsetting Financial Assets and Financial Liabilities'	Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.	1 January 2014
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – 'Novation of Derivatives and Continuation of Hedge Accounting'	Provides relief from discontinuing hedge accounting in circumstances where a derivative designated as a hedging instrument is novated to a central counterparty as a consequence or introduction of laws or regulations.	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Future developments

The following accounting standard changes will impact the company in the future financial years. Save as disclosed below, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the Financial Statements.

<u>Pronouncement</u>	<u>Nature of change</u>	<u>IASB effective date</u>
IFRS 9; 'Financial Instruments' ¹	Replaces those parts of IAS 39 Financial Instruments: Recognition and Measurement relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting. IFRS 9 requires financial assets to be classified into two measurement categories, fair value and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments and eliminated the available-for-sale financial asset and held-to-maturity investment categories in IAS 39. The requirements for derecognition are broadly unchanged from IAS 39. The standard also retains most of the IAS 39 requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value change attributable to the entity's own credit risk is recorded in other comprehensive income. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle-based approach.	Annual periods beginning on or after 1 January 2018

¹ As at the date of signing, this pronouncement is awaiting EU endorsement.