Lloyds UDT Leasing Limited

Annual report and accounts for the year ended 30 September 2018

Registered office

25 Gresham Street
London
EC2V 7HN

Registered number

00665240

Current directors

G Ferguson
T Nash
R Poole

Company Secretary

D D Hennessey

Member of Lloyds Banking Group

Directors' report

For the year ended 30 September 2018

The directors present their report and the audited financial statements of Lloyds UDT Leasing Limited ("the Company") for the year ended 30 September 2018.

General information

The Company is a limited company incorporated and domiciled in England and Wales (registered number: 00665240).

The Company provides a range of operating and finance lease products for corporate customers, with all remaining leases now in secondary rental period.

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 Division, which is part of the Lloyds Banking Group. While these risks are not managed separately for the Company, the Company forms part of the Retail Division. The Retail Division is a portfolio of businesses and operates in a number of specialist markets providing consumer lending and contract hire to personal and corporate customers. Further details of risk management policies are contained in note 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. KPIs are monitored and reported at a divisional level.

Future outlook

The Company ceased to write new finance lease business in September 2007 and operating lease business in June 2008. Accordingly the carrying value of Loans and advances to customers and the associated income have continued to reduce as individual lease agreements expire.

During the prior year the Company terminated a large majority of its lease book. In all cases, these were early terminations taking place before the contract end date. Derivatives were used to hedge against the potential loss of interest income on these leases and therefore these Derivatives were also terminated during the prior year.

Going forward, the Company will receive income from finance leases in the secondary rental period and interest will be charged and earned on intercompany balances with Lloyds Bank plc.

As of 30 October 2018, Loans and advances to customers of £2,000 (all in secondary rental period) and Deferred tax assets of £3,368,000 were transferred into the Company from fellow Group companies.

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

Dividends

No dividends were paid or proposed during the year ended 30 September 2018 (2017: £nil).

Going concern

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

Directors

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

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

R Poole	(appointed 8 June 2018)
T D Weston	(resigned 31 January 2018)

Directors' report (continued)

For the year ended 30 September 2018

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.

Disclosure of information to auditor

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

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

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 section 414 of the Companies Act 2006.

Approved by the board of directors and signed on its behalf by:

G Ferguson
Director

25 June 2019

Income statement

For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Interest income		**27**	136
Interest expense		**-**	(63)
Net interest income	3	**27**	73
Other operating expense		**(3)**	-
Impairment gains		**-**	29
Profit before tax		**24**	102
Taxation	7	**(128)**	(31)
(Loss)/profit for the year		**(104)**	71

Statement of comprehensive income

For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
(Loss)/profit for the year		**(104)**	71
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges, net of tax	7	**-**	132
Total comprehensive (expense)/income for the year attributable to owners of the parent		**(104)**	203

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

Balance sheet

As at 30 September 2018

	Note	**2018** **£'000**	2017 £'000
ASSETS			
Trade and other receivables	8	**11,367**	10,903
Loans and advances to customers	9	**4**	5
Current tax asset		**-**	5
Deferred tax asset	10	**1,511**	2,001
Total assets		**12,882**	12,914
LIABILITIES			
Borrowed funds	11	**5,980**	5,983
Trade and other payables		**4**	5
Current tax liability		**76**	-
Total liabilities		**6,060**	5,988
EQUITY			
Share capital	12	**6,500**	6,500
Other reserves		**-**	-
Retained earnings		**322**	426
Total equity		**6,822**	6,926
Total equity and liabilities		**12,882**	12,914

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

The financial statements were approved by the board of directors and were signed on its behalf by:

G Ferguson
Director

25 June 2019

Statement of changes in equity

For the year ended 30 September 2018

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016	6,500	(132)	355	6,723
Profit for the year	-	-	71	71
Other comprehensive income for the year	-	132	-	132
At 30 September 2017	**6,500**	**-**	**426**	**6,926**
Loss for the year being total comprehensive expense	-	-	(104)	(104)
At 30 September 2018	**6,500**	**-**	**322**	**6,822**

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

Cash flow statement

For the year ended 30 September 2018

	2018 £'000	2017 £'000
Cash flows generated from operating activities		
Profit before tax	**24**	102
Adjustments for:		
- Gain on termination of derivative financial liabilities	**-**	30
- Group interest income	**(6)**	-
- Group interest expense	**-**	63
Changes in operating assets and liabilities:		
- Net decrease in Loans and advances to customers	**1**	2,889
- Net decrease in Trade and other payables	**(1)**	(2)
- Net decrease in Derivative financial liabilites	**-**	(162)
Cash generated from operations	**18**	2,920
Group relief received	**443**	605
Net cash generated from operating activities	**461**	3,525
Cash flows used in financing activities		
Group interest paid	**-**	(63)
Group interest received	**6**	-
Increase in net lendings to group undertakings	**(467)**	(3,462)
Net cash used in financing activities	**(461)**	(3,525)
Change in Cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of year	**-**	-
Cash and cash equivalents at end of year	**-**	-

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

Notes to the financial statements

For the year ended 30 September 2018

1. Accounting policies

1.1 Basis of preparation

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

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

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

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

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

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 30 September 2018 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, modified for the fair value of derivative contracts.

1.2 Income recognition

Income and expense from financial assets

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

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

Lease classification

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

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

1. Accounting policies (continued)

1.2 Income recognition (continued)

Finance lease income

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

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

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings and Loans and advances to customers. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables.

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

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

1.4 Impairment

Loans and advances to customers

At each balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganisation or the debt being restructured to reduce the burden on the borrower.

If there is objective evidence that an impairment loss has been incurred, a provision is established which is calculated as the difference between the balance sheet carrying value of the asset and the present value of estimated future cash flows discounted at that asset's original effective interest rate. If an asset has a variable interest rate, the discount rate used for measuring the impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised asset or group of assets reflects the cash flows that may result from foreclosure less the costs of obtaining and selling the collateral.

If 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 Income statement.

When a loan or advance is uncollectable, it is written off against the related provision once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised in the Income statement on a cash receipts basis.

1.5 Cash and cash equivalents

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

1. Accounting policies (continued)

1.6 Taxation, including deferred income taxes

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

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

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

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

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

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

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

1.7 Other reserves

Other reserves comprise a cash flow hedging reserve representing the cumulative after tax gains and losses on effective cash flow hedging instruments that will be reclassified to the Income statement in the periods in which the hedged item affects profit or loss.

2. Critical accounting estimates and judgements in applying accounting policies

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

In the course of preparing these financial statements, no critical judgements have been made in the process of applying the company's accounting policies, other than those involving estimations which are disclosed separately below.

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

Deferred tax

The recoverability of the Deferred tax asset requires the consideration of the level of forecast taxable profits in the Group, taking into account the Group's long term financial and strategic plans.

The Deferred tax asset has been recognised on the basis that tax losses arising in the future will be used by the Company against taxable profits or surrendered as group relief which will be paid for by the recipient company.

3. Net interest income

	2018 £'000	2017 £'000
Interest income		
From finance lease and hire purchase contracts	**21**	106
Gain on derivative	**-**	30
Group interest income (see note 13)	**6**	-
	27	136
Interest expense		
Group interest expense (see note 13)	**-**	(63)
Net interest income	**27**	73

Included within Interest income is £nil (2017: £nil) in respect of impaired financial assets.

In the prior year Group interest expense related to interest charged on the Derivative liability which was terminated by 30 September 2017.

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £3,000 (2017: £3,000) 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 (2017: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 13).

7. Taxation

	2018 £'000	2017 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable (loss)/profit for the year	**(356)**	467
- Adjustments in respect of prior years	**(6)**	-
Current tax (credit)/charge	**(362)**	467
UK deferred tax:		
- Origination and reversal of timing differences	**361**	(448)
- Due to change in UK corporation tax rate	**129**	12
Deferred tax charge/(credit) (see note 10)	**490**	(436)
Tax charge	**128**	31

Corporation tax is calculated at a rate of 19.00% (2017: 19.50%) of the taxable profit for the year.

7. Taxation (continued)

b) Factors affecting the tax charge for the year

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

	2018 £'000	2017 £'000
Profit before tax	**24**	102
Tax charge thereon at UK corporation tax rate of 19.00% (2017: 19.50%)	**5**	20
Factors affecting charge:		
- Due to change in UK corporation tax rate	**129**	11
- Adjustments in respect of prior years	**(6)**	-
Tax charge on profit on ordinary activities	**128**	31
Effective rate	**533.33%**	30.39%

c) Tax effects relating to Other comprehensive income

The tax effect relating to Other comprehensive income is as follows:

	Before tax amount £'000	**Tax charge £'000**	**Net of tax amount £'000**
2018			
Movements in cash flow hedges	-	-	-
Other comprehensive income for the year	-	-	-
2017			
Movements in cash flow hedges	162	(30)	132
Other comprehensive income for the year	162	(30)	132

As a result of the crystallisation of the cash flow hedge the accumulated losses on the hedge were transferred to the Income statement during the previous year.

8. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from group undertakings (see note 13)	**11,367**	10,903

Amounts due from group undertakings is unsecured and repayable on demand. Amounts due from Lloyds Bank plc are interest bearing at 1 month average LIBOR rate less 10 bps. All other amounts are non-interest bearing.

9. Loans and advances to customers

	2018 £'000	2017 £'000
Advances under finance lease contracts	**4**	5

Loans and advances to customers represents secondary rental amounts due from customers, which are all in arrears up to one month. There are no unguaranteed residual values.

10. Deferred tax asset

The movement in the Deferred tax asset is as follows:

	2018 £'000	2017 £'000
Brought forward	**2,001**	1,595
(Charge)/credit for the year (see note 7)	**(490)**	436
	1,511	2,031
Amount charged to equity		
- Cash flow hedges	**-**	(30)
At 30 September	**1,511**	2,001

The deferred tax (charge)/credit to the Income statement comprise the following temporary differences:

	2018 £'000	2017 £'000
Accelerated capital allowances	**(490)**	436

Deferred tax asset comprises:	2018 £'000	2017 £'000
Accelerated capital allowances	**1,511**	2,001

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.

11. Borrowed funds

	2018 £'000	2017 £'000
Amounts due to group undertakings (see note 13)	**5,980**	5,983

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

12. Share capital

	2018 £'000	2017 £'000
Allotted, issued and fully paid		
6,500,100 ordinary shares of £1 each	**6,500**	6,500

13. Related party transactions

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

	2018 £'000	2017 £'000
Amounts due from group undertakings		
Lloyds UDT Limited	**8,924**	8,932
Black Horse Limited	**1,078**	612
Lloyds Bank plc	**1,365**	1,359
Total Amounts due from group undertakings (see note 8)	**11,367**	10,903
Amounts due to group undertakings		
United Dominions Trust Limited	**5,602**	5,583
Black Horse Limited	**206**	235
Lloyds Bank plc	**172**	165
Total Amounts due to group undertakings (see note 11)	**5,980**	5,983
Interest income		
Lloyds Bank plc (see note 3)	**6**	-
Interest expense		
Lloyds Bank plc (see note 3)	**-**	63

The above balances are unsecured in nature and are expected to be settled in cash or by cash equivalents. Transactions in the year are those reflected through the Income statement.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company and the Retail 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 liquidity risk; it is not exposed to any significant credit risk, interest rate risk, market risk, business risk nor 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 Division, and the ultimate parent, Lloyds Banking Group plc. Liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company.

14.1 Liquidity risk

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

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

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. All other financial liabilities are repayable on demand.

14.2 Financial strategy

The Company previously used financial instruments to mitigate its cash flow risk. However, the Company does not trade in financial instruments.

14.3 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.

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 (2017: £nil).

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimates that this would result in an increase in current tax liabilities for the Company of approximately £1,586,000 (including interest). The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due.

17. Post balance sheet events

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

18. Future developments

The following pronouncement will be relevant to the Company but was not effective at 30 September 2018 and has 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

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

19. Ultimate parent undertaking and controlling party

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

Independent Auditors' report to the member of Lloyds UDT Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, Lloyds UDT Leasing Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2018 and of its loss 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.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 30 September 2018; the Income statement, 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

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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on 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 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of Lloyds UDT Leasing Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

K A Williams

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

26 June 2019