United Dominions Leasing Limited

Report and Accounts

2019

Member of Lloyds Banking Group

Strategic report
For the year ended 31 December 2019

The directors present their Strategic report and the audited financial statements of United Dominions Leasing Limited (the "Company") for the year ended 31 December 2019.

Business overview

The principal activity of the Company is to provide finance lease products to corporate customers.

In February 2014 the Company entered into an agency agreement with Lloyds Bank plc whereby Fleet new business was written for the benefit of the bank within Lloyds Bank Plc. This agreement ceased in September 2017 and from 1 October 2017, the Company began writing new business for its own benefit. As a result, the Loans and advances to customers balance has continued to grow and higher interest income levels have been achieved.

The Company’s results for the year show a Profit before tax of £5,291,000 (2018: £2,240,000) and Net interest income of £6,206,000 (2018: £2,743,000). Net assets at 31 December 2019 were £10,085,000 (2018: £5,941,000). The 2018 figures have been restated as explained in note 22.

Future outlook

The Company has achieved a satisfactory level of returns and expects to continue to do so in the foreseeable future. The directors are supporting a strategy designed to ensure that the Company’s interest and other charges fully reflect the risks associated with its core products.

The rapid pace and scale of measures to contain a major health issue such as the Covid-19 pandemic demonstrates the potentially adverse impact of those measures on the economy. The government and regulators are taking significant action to address the economic impact, which may be temporary, but depending on the severity it could lead to a significant loss of output and recession in the UK. Any sector-specific or wider impact due to this could potentially impact the customers of the Group and, as a result, have a material adverse effect on the Company's results of operations, financial condition or prospects.

Following the UK's exit from the EU, significant negotiation is now required on the terms of the future trade agreement. As a result, the possibility of a limited or no deal at the end of the transition period remains and could manifest in prolonged business uncertainty across the UK, including in the financial services sector. This continued lack of clarity over the UK's relationship with the EU and other foreign countries, and on-going challenges in the Eurozone, including weak growth, raise additional uncertainty for the UK's economic outlook. There also remains the possibility of a further referendum on Scottish independence. The Company is part of the wider Lloyds Banking Group ("the Group"), and, it is at that level that consideration of the many potential implications this may have has been undertaken. Work continues to assess the impact of EU exit at the level of the Group, as well as for the Company, upon customers, colleagues and products. This assessment includes all legal, regulatory, tax, finance and capital implications.

Post balance sheet events

In March 2020 the World Health Organisation declared the outbreak of Covid-19 a global pandemic. The outbreak and the action taken by governments across the world are causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK.

The directors assess this event to be a non-adjusting post balance sheet event given the limited number of cases reported as at 31 December 2019. In view of its currently evolving nature, the directors continue to monitor the developments closely. Based upon an initial assessment of the likely impact of the pervasive disruption experienced in the UK, the directors assessed an additional credit impairment of £1,161,000 at 30 September 2020 (see note 21 for further details).

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 Group. While these risks are not managed separately for the Company, the Company is a main trading company 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 18 to the financial statements.

As a result of the global health issues, the potential for operational risks materialising increases, notably in the areas of cyber, fraud, people, technology, operational resilience and where there is reliance on third-party suppliers. In addition to the key operational risks, new risks are likely to arise as the business will need to change its ways of working whilst managing any site contamination to ensure continuity and support to colleagues and customers.

Strategic report (continued)
For the year ended 31 December 2019

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.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act'), for the year ended 31 December 2019, the Directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172.

Statement of Engagement with Employees and Other Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the Directors have engaged with, and had regard to, the interest of other key stakeholders only as the Company has no direct employees. The Company is a subsidiary of Lloyds Banking Group plc, and as such follows many of the processes and practices of Lloyds Banking Group plc, which are further referred to in this statement where relevant.

Customers

The Company lends to wholesale customers, being motor traders ("fleet") and corporate customers ("commercial"). Working with colleagues within the Retail and Commercial divisions, the directors are committed to achieving the Group's ambitions, including providing its customers with a good customer experience:

Fleet - fleet business is an important element of the Motor Finance business and the Company is an active participant in the initiatives implemented across that business. Within Motor Finance a dedicated transformation team has been established with objectives that include the enhancement of the customer journey and the way in which services are provided to the customer.

Commercial - the directors work with colleagues in the commercial division in order to offer asset finance solutions to both existing LBG customers and non-bank clients and prospective clients in support of the Group strategy of Helping Britain Prosper. Commercial Finance is a key part of the commercial banking proposition, supporting clients in the acquisition of a multitude of key business assets.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of Lloyds Banking Group plc's Retail Division. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of Lloyds Banking Group plc, ensuring that the interests of Lloyds Banking Group plc as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Strategic Report within the Lloyds Banking Group plc Annual Report and Accounts for 2019, which does not form part of this report, available on the Lloyds Banking Group plc website.

Communities and the Environment

The Company continues to support Lloyds Banking Group plc's related initiatives, including Helping Britain Prosper by actively managing its current book of finance lease and hire purchase products. In addition the Company is an integral part of supporting the group's desire to transition to electric forming part of commitments it has made to support the green agenda. Further information in respect of Lloyds Banking Group plc's overall approach to engaging with and contributing to the communities in which it operates is included within the Strategic Report within the Lloyds Banking Group plc's Annual Report and Accounts for 2019. Additional information on Lloyds Banking Group plc's Helping Britain Prosper Plan is available on the Lloyds Banking Group plc website.

How stakeholder interest has influenced decision making

The directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Company, as aligned to that of Lloyds Banking Group plc, is to effectively manage the Company to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct.

During 2019, the Company reviewed its board of directors in order to ensure that the Company is benefiting from the wider backgrounds and sector experience that exist in the Group, maintain good financial control and facilitate transparent reporting. No changes were deemed necessary following this review.

Strategic report (continued)

For the year ended 31 December 2019

Emerging Risks

The key emerging risks for the Company relate to the UK's exit from the EU and the outbreak of Covid-19 as discussed above.

The directors assume ultimate responsibility for the affairs of the Company, and along with senior management are committed to maintaining a robust control framework as the foundation for the delivery of good governance, including the effective management of delegation through related Group processes. Policies are also in place in relation to potential conflicts of interest which may arise.

An elected director will chair the board meeting and receive support from the Company Secretary for the provision to each meeting of accurate and timely information.

General

The directors do not consider there to be any further material issues which need to be included in the Strategic report.

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

G Ferguson
Director

16th November 2020

Directors' report

For the year ended 31 December 2019

The directors present their report and the audited financial statements of United Dominions Leasing Limited ("the Company") for the year ended 31 December 2019.

General information

The Company is a private limited company incorporated in the United Kingdom, registered in England and Wales and domiciled in England and Wales (registered number:00824614). The Directors in office during 2019 are listed in the Directors report and the Company Secretary is D D Hennessey.

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

Dividends

No dividends were paid or proposed during the year ended 31 December 2019 (2018: £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 as follows:

B D Bos
G Ferguson
R Poole
M D Whytock

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

R Poole	(appointed 9 April 2019)
M D Whytock	(appointed 10 July 2020)

Registered address

The Company's registered address is 25 Gresham Street, London EC2V 7HN.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, Future outlook and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on pages 2 and 3.

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.

Directors' report (continued)

For the year ended 31 December 2019

Statement of directors' responsibilities

The directors are responsible for preparing the Director's 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 Company's 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; 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.

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.

Auditor and disclosure of information to auditors

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

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

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

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

G Ferguson
Director

16th November 2020

Income statement

For the year ended 31 December 2019

	Note	2019 £'000	Restated 2018 £'000
Interest income		**8,668**	5,089
Interest expense		**(2,462)**	(2,346)
Net interest income	3	**6,206**	2,743
Other operating income	4	**1,038**	258
Impairment losses	5	**(546)**	(286)
Other operating expenses	6	**(1,407)**	(475)
Profit before tax		**5,291**	2,240
Taxation	9	**(1,144)**	(899)
Profit for the year		**4,147**	1,341

Statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 £'000	Restated 2018 £'000
Profit for the year as reported in December 2018 financial statements		**4,147**	1,301
Impact of prior year restatement		**-**	40
Profit for the year		**4,147**	**1,341**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Movement in cash flow hedges			
- before tax amount		**(2)**	1
- tax charge	9	**(1)**	-
		(3)	1
Total comprehensive income for the year		**4,144**	1,342

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

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

Balance sheet

As at 31 December 2019

	Note	**31 December 2019 £'000**	Restated 31 December 2018 **£'000**	Restated 1 January 2018 £'000
ASSETS				
Trade and other receivables	10	**227,856**	**161,966**	298,060
Loans and advances to customers	11	**189,809**	**156,680**	55,097
Current tax asset		**4,605**	**3,927**	3,044
Deferred tax asset	12	**15,342**	**17,165**	22,937
Total assets		**437,612**	**339,738**	379,138
LIABILITIES				
Borrowed funds	13	**426,272**	**332,090**	373,346
Trade and other payables	14	**969**	**1,503**	1,193
Provision for liabilities and charges	15	**286**	**204**	-
Total liabilities		**427,527**	**333,797**	374,539
EQUITY				
Share capital	16	**-**	**-**	-
Other reserves		**-**	**3**	2
Retained earnings		**10,085**	**5,938**	4,597
Total equity		**10,085**	**5,941**	4,599
Total equity and liabilities		**437,612**	**339,738**	379,138

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

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

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

G Ferguson
Director

16th November 2020

Statement of changes in equity

For the year ended 31 December 2019

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	-	2	4,597	4,599
Profit for the year - restated	-	-	1,301	1,301
Other comprehensive income for the year	-	1	-	1
Impact of prior year restatement	-	-	40	40
At 31 December 2018 - restated	**-**	**3**	**5,938**	**5,941**
Profit for the year	-	-	4,147	4,147
Other comprehensive expense for the year	-	**(3)**	-	(3)
At 31 December 2019	**-**	**-**	**10,085**	**10,085**

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

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

Cash flow statement

For the year ended 31 December 2019

	2019 £'000	Restated 2018 £'000
Cash flows used in operating activities		
Profit before tax	**5,291**	2,240
Adjustments for:		
- Interest expense	**2,462**	2,346
- Increase in Provision for liabilities and charges	**82**	204
- Other comprehensive income	**(2)**	-
Changes in operating assets and liabilities:		
- Impact of transition to IFRS 9 on Loans and advances to customers	**-**	(181)
- Net increase in Loans and advances to customers	**(33,129)**	(101,402)
- Net decrease in Other debtors and Trade and other receivables	**1,603**	2,716
- Net (decrease)/increase in Trade and other payables	**(534)**	310
Cash used in operations	**(24,227)**	(93,767)
Tax received	**-**	3,989
Net cash used in operating activities	**(24,227)**	(89,778)
Cash flows generated from financing activities		
Proceeds from net borrowings with group undertakings	**26,689**	92,124
Interest paid	**(2,462)**	(2,346)
Net cash generated from financing activities	**24,227**	89,778
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.

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

Notes to the financial statements
For the year ended 31 December 2019

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.

There are no new pronouncements relevant to the Company requiring adoption in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2019 and which have not been applied in preparing these financial statements are given in note 23. No standards have been early adopted.

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

1.2 Income recognition

Income and expense from financial instruments

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 credit impaired, interest income is recognised on the net lending basis.

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.

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. Accounting policies (continued)

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings, Loans and advances to customers and Other debtors. Financial liabilities comprise Amounts due to group undertakings and Trade and other payables. Derivative contracts can be either financial assets or financial liabilities and are discussed separately in note 18.6.

On initial recognition, financial assets are classified as measured at amortised cost.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Amounts due from group under takings is assessed at the reporting date for impairment on a forward looking basis and where appropriate an expected credit loss ("ECL") is recognised based on reasonable and supportable information.

1.4 Derivative financial instruments

The Company previously entered into a variety of derivative financial instruments to manage its exposure to interest rate risk.

IFRS 9 requires changes in the fair value of all derivative instruments, other than those in effective cash flow and net investment hedging relationships, to be recognised immediately in the Income statement. Where the value of the derivative is positive, it is carried as a derivative asset and where negative, as a derivative liability.

1.5 Hedge accounting

Derivatives may only be designated as hedges provided certain strict criteria are met. At the inception of a hedge, its terms must be clearly documented and there must be an expectation that the derivative will be highly effective in offsetting changes in the fair value or cash flow of the hedged risk.

The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income statement. Amounts accumulated in equity are recycled to the Income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income statement.

1.6 Impairment

Impairment of financial assets

The impairment charge in the Income statement includes the change in expected credit losses and certain credit related fraud costs. Expected credit losses are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. Expected credit losses are calculated by using an appropriate probability of default, adjusted to take into account a range of possible future economic scenarios, and applying this to the estimated exposure of the Company at the point of default after taking into account the value of any collateral held or other mitigants of loss and including the impact of discounting using the effective interest rate.

A loan or advance is normally written off, either partially or in full, against the related allowance when the proceeds from realising any available security have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement. The write-off takes place only once an extensive set of collections processes has been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Notes to the financial statements (continued)
For the year ended 31 December 2019

1. Accounting policies (continued)

1.6 Impairment (continued)

Impairment of loans and advances

At initial recognition, allowance is made for expected credit losses resulting from default events that are possible within the next 12 months (12-month expected credit losses). In the event of a significant increase in credit risk, allowance (or provision) is made for expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses). Financial assets where 12-month expected credit losses are recognised are considered to be Stage 1; financial assets which are considered to have experienced a significant increase in credit risk are in Stage 2; and financial assets which have defaulted are allocated to Stage 3.

An assessment of whether credit risk has increased significantly since initial recognition considers the change in the risk of default occurring over the remaining expected life of the financial instrument. In determining whether there has been a significant increase in credit risk, the Company uses qualitative indicators such as watch lists and other indicators of historic delinquency. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since origination, the asset is transferred back to Stage 1.

Assets are transferred to Stage 3 when they have defaulted.

In certain circumstances, the Company will renegotiate the original terms of a customer's loan, either as part of an on-going customer relationship or in response to adverse changes in the circumstances of the borrower. In the latter circumstances, the loan will remain classified as either Stage 2 or Stage 3 until the credit risk has improved such that it no longer represents a significant increase since origination (for a return to Stage 1), or the loan is no longer in default (for a return to Stage 2).

The probability of default ("PD") of an exposure, both over a 12 month period or over its lifetime is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due.

The assessment of default is based upon the credit risk classifications applied to its loans which in effect reflect the extent to which the account is stressed.

1.7 Cash and cash equivalents

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Accounting policies (continued)

1.8 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 (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

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

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

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

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

1.9 Provision for liabilities and charges

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

1.10 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.

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

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent they are considered more likely than not to be recoverable based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised.

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Allowance for impairment losses

The calculation of the Group's expected credit loss ("ECL") allowances and provisions against loans and advances to customers under IFRS 9 requires the Group to make a number of judgements, assumptions and estimates. The most significant are set out below.

Definition of default

The probability of default ("PD") of an exposure, both over a 12 month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted by the Company is described in note 1.6 Impairment of financial assets.

Lifetime of an exposure

The PD of a financial asset is dependent on its expected life. A range of approaches, segmented by product type, has been adopted by the Company to estimate a product's expected life. These include using the full contractual life and taking into account behavioural factors such as early repayments and refinancing. For loans and advances to customers, the Company has assumed the expected life for each product to be the time taken for all losses to be observed and for a material proportion of the assets to fully resolve through either closure or write-off. Changes to the assumed expected lives of the Company's assets could have a material effect on the ECL allowance recognised by the Company.

Significant increase in credit risk ("SICR") - Fleet

The Company monitors a series of account flags which may indicate whether the asset has suffered a SICR which, for non-retail loans, are aligned to operational credit risk management strategies.

All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Significant increase in credit risk - Commercial

The Company monitors a series of account flags which may indicate whether the asset has suffered a SICR which, for commercial loans, are aligned to operational credit risk management strategies.

All financial assets are assumed to have suffered a SICR if they are more than 30 days past due.

The setting of precise trigger points combined with risk indicators requires judgement. The use of different trigger points may have a material impact upon the size of the ECL allowance.

Origination PDs

The assessment of whether there has been a significant increase in credit risk is a relative measure, dependent on an asset's PD at origination. For assets existing at 1 January 2018, the initial application date of IFRS 9, this information is not, generally, available and consequently management judgement has been used to determine a reasonable basis for estimating the original PD. Management used various information sources, including regulatory PDs and credit risk data available at origination, or where this is not available the first available data. In addition, the Company has not created a forward looking view of PDs at initial recognition for the back book as to do so would involve the use of hindsight and could introduce the risk of bias. The use of proxies and simplifications is not considered to materially impact the ECL allowance on transition.

Post-model adjustments

Limitations in the Company's impairment models may be identified through its on-going assessment of the models. In these circumstances, post-model judgement is used to make appropriate adjustments to the Company's allowance for impairment losses. No post-model adjustments have been made in respect of the Company for the year ended 31 December 2019, nor 2018.

Forward looking

The measurement of expected credit losses is required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this, the Group has developed an economic model to project a wide range of key impairment drivers using information derived from external sources. These drivers include factors such as the unemployment rate, the house price index, commercial property prices and corporate credit spreads. The model-generated economic scenarios for the six years beyond 2019 are mapped to industry-wide historical data by portfolio. Combined losses across portfolios are used to rank the scenarios by severity of loss. Alongside a defined central scenario three further scenarios are generated by averaging a group of individual scenarios around specified points along the loss distribution to reflect the range of outcomes. The central scenario reflects the Group's base case assumptions used for medium-term planning purposes, an upside and a downside scenario are also produced together with a severe downside scenario.

2. Critical accounting estimates and judgements in applying accounting policies (continued)

Allowance for impairment losses (continued)

Rare occurrences of adverse economic events can lead to relatively large credit losses which means that typically the most likely outcome is less than the probability-weighted outcome of the range of possible future events. To allow for this a relatively unlikely severe downside scenario is therefore included. At 31 December 2018 and 2019, the base case, upside and downside scenarios each carry a 30 per cent weighting; the severe downside scenario is weighted at 10 per cent. The choice of alternative scenarios and scenario weights is a combination of quantitative analysis and judgemental assessment to ensure that the full range of possible outcomes and material non-linearity of losses are captured.

A committee under the chairmanship of the Group Chief Economist meets quarterly to review and, if appropriate, recommend changes to the economic scenarios to the Group Chief Financial Officer and Group Chief Risk Officer. Findings dealing with all aspects of the expected credit loss calculation are presented to the Group Audit Committee; supported by a framework of Motor Finance-specific quarterly Impairment Review Meetings and monthly Impairment approval meetings dealing with the relevant aspects of credit risk governance.

3. Net interest income

	2019 £'000	Restated 2018 £'000
Interest income		
From finance lease and hire purchase contracts	**8,139**	3,613
Group interest income (see note 17)	**529**	1,476
	8,668	5,089
Interest expense		
Group interest expense (see note 17)	**(2,462)**	(2,346)
	6,206	2,743

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

4. Other operating income

	2019 £'000	2018 £'000
Other operating income	**1,038**	258

The other operating income in 2019 relates to the write off of aged balances no longer payable.

5. Impairment losses

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
31 December 2019				
Impact of transfers between stages	**(14)**	**182**	**173**	**341**
Additions / (repayments)	**139**	**78**	**(25)**	**192**
Net remeasurement of loss allowances	**-**	**2**	**-**	**2**
Other changes in credit quality	**13**	**(15)**	**13**	**11**
	138	**247**	**161**	**546**
In respect of:				
Loans and advances to customers	**60**	**242**	**161**	**463**
Commitments to lend	**78**	**5**	**-**	**83**
	138	**247**	**161**	**546**

5. Impairment losses (continued)

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
31 December 2018				
Additions / (Repayments)	182	-	5	187
Other changes in credit quality	99	-	-	99
	281	-	5	286
In respect of:				
Loans and advances to customers	77	-	5	82
Commitments to lend	204	-	-	204
	281	-	5	286

6. Other operating expenses

	2019 £'000	2018 £'000
Management fees	**1,286**	475
Other expenses	**121**	-
	1,407	475

Fees payable to the Company's auditors for the audit of the financial statements of £45,000 (2018: £35,000) have been borne by a fellow group undertaking and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are recharged to the Company as part of Management fees.

7. Staff costs

The Company did not have any employees during the year (2018: none).

8. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2018: £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 note 17).

9. Taxation

	2019 £'000	Restated 2018 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable loss for the year	**(858)**	(4,873)
- Adjustments in respect of prior years	**180**	-
Current tax credit	**(678)**	(4,873)
UK deferred tax:		
- Origination and reversal of timing differences	**1,863**	5,298
- Due to change in UK corporation tax rate	**54**	357
- Adjustments in respect of prior years	**(95)**	117
Deferred tax charge (see note 12)	**1,822**	5,772
Tax charge	**1,144**	899

Corporation tax is calculated at a rate of 19.00% (2018: 19.00%) of the taxable profit for the year.

9. 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:

	2019 £'000	Restated 2018 £'000
Profit before tax	**5,291**	2,240
Tax charge thereon at UK corporation tax rate of 19.00% (2018: 19.00%)	**1,005**	425
Factors affecting charge:		
- Due to change in UK corporation tax rate	**54**	357
- Adjustments in respect of prior years	**85**	117
Tax charge on profit on ordinary activities	**1,144**	899
Effective rate	**21.62%**	40.13%

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

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)/ credit £'000	Net of tax amount £'000
2019			
Movements in cash flow hedges	**(2)**	**(1)**	**(3)**
Other comprehensive income for the year	**(2)**	**(1)**	**(3)**
2018			
Movements in cash flow hedges	1	-	1
Other comprehensive income for the year	1	-	**1**

10. Trade and other receivables

	2019 £'000	Restated 2018 £'000
Amounts due from group undertakings (see note 17)	**224,946**	157,453
Other debtors	**2,910**	4,513
	227,856	161,966

Amounts due from Lloyds Bank plc is unsecured, interest bearing based upon the 3 month LIBOR rate and repayable on demand (2018: non-interest bearing). Amounts due from Black Horse Limited are non-interest bearing.

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

11. Loans and advances to customers

11.1 Loans and advances to customers

	2019 £'000	Restated 2018 £'000
Gross loans and advances to customers	**190,935**	157,342
Less: allowance for losses on loans and advances	**(1,126)**	(662)
Net loans and advances to customers	**189,809**	156,680
of which:		
Due within one year	**64,902**	42,356
Due after one year	**124,907**	114,324
	189,809	156,680

Loans and advances to customers include finance lease and hire purchase receivables:

	2019 £'000	Restated 2018 £'000
- no later than one year	**72,213**	48,108
- one to two years	**70,379**	64,612
- two to three years	**43,347**	39,795
- three to four years	**13,655**	12,536
- four to five years	**2,276**	2,091
- later than five years	**829**	1,147
	202,699	168,289
Unearned future finance income on finance lease and hire purchase contracts	**(11,764)**	(10,947)
Net investment in finance lease and hire purchase contracts	**190,935**	157,342

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

	2019 £'000	Restated 2018 £'000
- no later than one year	**66,028**	43,019
- one to two years	**67,365**	61,457
- two to three years	**41,490**	37,851
- three to four years	**13,070**	11,924
- four to five years	**2,179**	1,988
- later than five years	**803**	1,103
	190,935	157,342

The unguaranteed residual value is £nil (2018: £nil).

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

The Company provides a range of finance lease products in connection with the financing of motor vehicles and equipment. The leases typically run for periods of between 1 and 4 years.

During the year, no contingent rentals in respect of finance leases were recognised in the Income statement (2018: £nil).

Further analysis of Loans and advances to customers is provided in note 18.

Notes to the financial statements (continued)
For the year ended 31 December 2019

11. Loans and advances to customers (continued)

11.2 Loans and advances to customers - movement over time

2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 January 2019 - restated	153,431	3,710	201	**157,342**
Transfers to Stage 1	2,330	(2,330)	-	**-**
Transfers to Stage 2	(7,894)	7,894	-	**-**
Transfers to Stage 3	(236)	(83)	319	**-**
Net increase / (decrease) in loans and advances to customers	31,010	2,719	(136)	**33,593**
Gross loans and advances to customers	**178,641**	**11,910**	**384**	**190,935**
Less: allowance for losses on loans and advances	(432)	(349)	(345)	**(1,126)**
Net loans and advances to customers	**178,209**	**11,561**	**39**	**189,809**

2018				
Balance as at 1 January 2018 - restated	50,631	5,092	139	55,862
Exchange and other adjustments	-	-	-	-
Transfers to Stage 1	1,402	(1,402)	-	-
Transfers to Stage 2	(681)	681	-	-
Transfers to Stage 3	(16)	(69)	85	-
Net increase / (decrease) in loans and advances to customers - restated	102,095	(592)	(23)	101,480
Gross loans and advances to customers - restated	153,431	3,710	201	157,342
Less: allowance for losses on loans and advances	(370)	(107)	(185)	(662)
Net loans and advances to customers - restated	153,061	3,603	16	156,680

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

12. Deferred tax asset

The movement in the Deferred tax asset is as follows:	**2019**	Restated 2018
	£'000	£'000
Brought forward	**17,165**	22,937
Charge for the year (see note 9)	**(1,822)**	(5,772)
At 31 December	**15,343**	17,165
Amount charged to equity		
- Cash flow hedges	**(1)**	-
At 31 December	**15,342**	17,165

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

	2019	2018
	£'000	£'000
Accelerated capital allowances	**1,822**	5,772

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

Notes to the financial statements (continued)

For the year ended 31 December 2019

12. Deferred tax asset (continued)

Deferred tax asset comprises:	**2019 £'000**	Restated 2018 £'000
Accelerated capital allowances	**15,342**	17,163
Cash flow hedges	**-**	2
	15,342	17,165

The Finance Act 2016 reduced the main rate of corporation tax to 17% with effect from 1 April 2020. This reduction was superseded by The Finance Act 2020 which was enacted on 22 July 2020, and maintained the main rate of corporation tax at 19% with effect from 1 April 2020. Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax assets by £1,805,000

13. Borrowed funds

	2019 £'000	2018 £'000
Amounts due to group undertakings (see note 17)	**426,272**	332,090

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

Amounts due to United Dominions Trust Limited, Lloyds UDT Limited and Lloyds Bank plc are/were interest bearing at LIBOR. All other balances are non-interest bearing.

14. Trade and other payables

	2019 £'000	2018 £'000
Accruals and deferred income	**969**	1,503

15. Provision for liabilities and charges

	Undrawn loan commitments £'000
At 1 January 2018	-
Charge for the year	204
At 31 December 2018	204
Charge for the year	83
Utilised during the year	(1)
At 31 December 2019	**286**

16. Share capital

	2019 £'000	2018 £'000
Allotted, issued and fully paid		
100 ordinary shares of £1 each	**-**	-

Notes to the financial statements (continued)

For the year ended 31 December 2019

17. 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. These include loan and fee transactions. A summary of the outstanding balances at the year end and the related expense for the year is set out below.

	2019 £'000	Restated 2018 £'000
Amounts due from group undertakings		
Black Horse Limited	**33,438**	25,732
Lloyds Bank plc	**191,508**	131,721
Total Amounts due from group undertakings (see note 10)	**224,946**	157,453
Amounts due to group undertakings		
Black Horse Limited	**69,197**	-
Lloyds UDT Limited	**-**	167
Lloyds UDT Leasing Limited	**91**	-
United Dominions Trust Limited	**251,204**	331,923
Lloyds Bank Commercial Finance Limited	**105,710**	-
Lloyds Bank plc	**70**	-
Total Amounts due to group undertakings (see note 13)	**426,272**	332,090
Interest income		
Lloyds Bank plc (see note 3)	**529**	1,476
Interest expense		
Lloyds Bank plc	**152**	61
Lloyds UDT Limited	**62**	157
United Dominions Trust Limited	**2,248**	2,128
Total Interest expense (see note 3)	**2,462**	2,346

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.

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

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 comprises the directors of the Company and the Commercial and Retail Divisions. 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.

18. Financial risk management

The Company’s operations expose it to credit risk, liquidity risk, interest rate risk and business risk; it is not exposed to any significant foreign exchange risk or market risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail and Commercial Divisions, and the ultimate parent, Lloyds Banking Group plc. Interest rate hedges are used to mitigate interest rate risk relating to a proportion of the Company's intercompany borrowings. The remaining interest rate and liquidity risk faced by the Company is in substance managed and borne by other group undertakings which fund the Company and credit risk is carefully monitored by the Retail and Commercial Division's credit committee and credit functions. Market risk is managed by the Company through the terms negotiated in commercial agreements and management regularly reviewing its portfolio of leases for impairment. Business risk is managed through regular reporting and oversight.

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

18.1 Credit risk

Credit risk management

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk associated with instalment credit contracts is managed through the application of strict underwriting criteria, determined by the Retail and Commercial Divisions credit committees and credit functions. Significant credit exposures are measured and reported on a regular basis.

Credit risk mitigation

- Credit principles and policy: Group Risk sets out the group credit principles and policy according to which credit risk is managed, which in turn is the basis for divisional and business unit credit policy. Principles and policy are reviewed regularly and any changes are subject to a review and approval process. Business unit policy includes lending guidelines, which define the responsibilities of lending officers and provide a disciplined and focused benchmark for credit decisions.

- Concentration risk: Credit risk management includes portfolio controls on certain industries, sectors and product lines that reflect risk appetite and which operate at a divisional level. Credit policy is aligned to risk appetite and restricts exposure to certain high risk and more vulnerable sectors. At a divisional level, exposures are monitored to prevent excessive concentration of risk. These concentration risk controls are not necessarily in the form of a maximum limit on lending but may instead require new business in concentrated sectors to fulfil additional hurdle requirements.

- Stress testing and scenario analysis at a divisional level: The credit portfolio is also subjected to stress testing and scenario analysis, to simulate outcomes and calculate their associated impact.

- Counterparty limits: Credit risk in wholesale portfolios is subject to individual credit assessments, which consider the strengths and weaknesses of individual transactions and the balance of risk and reward. Divisional exposure to individual counterparties, groups of counterparties or customer risk segments is controlled through a tiered hierarchy of delegated sanctioning authorities.

Credit concentration - Loans and advances to customers

The Company lends to wholesale customers (being motor traders and corporate customers) geographically located in the United Kingdom.

Notes to the financial statements (continued)

For the year ended 31 December 2019

18. Financial risk management (continued)

18.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

The analysis of lending has been prepared by applying the Group's rating scales to the Company's impairment model. The internal credit rating systems are set out below. The Group's probabilities of default ("PD"s), that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired.

For the Company's leasing portfolio, the Group's Corporate Master Scale ("CMS") has been used, with the internal credit rating systems set out below:

As at 31 December 2019		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	PD range	**£'000**	**£'000**	**£'000**	**£'000**
Fleet					
RMS 1-6	0.00-4.50%	44,969	18	-	**44,987**
RMS 7-9	4.51-14.00%	93,573	8	-	**93,581**
RMS 10	14.01-20.00%	24,320	8,367	-	**32,687**
RMS 11-13	20.01-99.99%	277	23	-	**300**
RMS 14	100%	-	-	212	**212**
					-
		163,139	8,416	212	**171,767**

As at 31 December 2019		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
		£'000	**£'000**	**£'000**	**£'000**
Commercial					
CMS 1-10	0.00-0.050%	9,733	45	-	**9,778**
CMS 11-14	0.051-3.00%	5,034	234	-	**5,268**
CMS 15-18	3.01-20.00%	735	2,214	-	**2,949**
CMS 19	20.01-99.99%	-	1,001	-	**1,001**
CMS 20-23	100%	-	-	172	**172**
		15,502	3,494	172	**19,168**
Total loans and advances to customers		178,641	11,910	384	**190,935**

As at 31 December 2018 - restated		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	PD range	**£'000**	**£'000**	**£'000**	**£'000**
Fleet					
RMS 1-6	0.00-4.50%	45,430	-	-	45,430
RMS 7-9	4.51-14.00%	91,028	-	-	91,028
RMS 10	14.01-20.00%	6,558	-	-	6,558
RMS 11-13	20.01-99.99%	97	94	-	191
RMS 14	100%	-	-	143	143
		143,113	94	143	143,350

The 2018 comparatives have been restated to reflect the restatement explained in note 22.

Notes to the financial statements (continued)

For the year ended 31 December 2019

18. Financial risk management (continued)

18.1 Credit risk (continued)

Loans and advances to customers - gross carrying amount

As at 31 December 2018	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Commercial					
CMS 1-10	0.00-0.050%	8,288	21	-	8,309
CMS 11-14	0.051-3.00%	2,013	204	-	2,217
CMS 15-18	3.01-20.00%	17	3,156	-	3,173
CMS 19	20.01-99.99%	-	235	-	235
CMS 20-23	100%	-	-	58	58
		10,318	3,616	58	13,992
Total loans and advances to customers - restated		153,431	3,710	201	157,342

A review was performed to align 2018 comparatives around loan quality classifications with that of the wider Group methodology. Overall 2018 staging's remain consistent, changes seen within RMS allocations.

Commitments to lend

At 31 December 2019	PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Fleet					
RMS 1-6	0.00-4.50%	63,306	-	-	63,306
RMS 7-9	4.51-14.00%	75,585	2	-	75,587
RMS 10	14.01-20.00%	17,019	357	-	17,376
RMS 11-13	20.01-99.99%	684	-	-	684
RMS 14	100%	-	-	-	-
		156,594	359	-	156,953
At 31 December 2018					
Fleet					
RMS 1-6	0.00-4.50%	55,825	-	-	55,825
RMS 7-9	4.51-14.00%	56,367	-	-	56,367
RMS 10	14.01-20.00%	8,221	-	-	8,221
RMS 11-13	20.01-99.99%	26	-	-	26
RMS 14	100%	-	-	60	60
		120,439	-	60	120,499

Commitments to lend consist of undrawn formal standby facilities, credit facilities and other commitments to lend.

18. Financial risk management (continued)

18.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage

In respect of drawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 1 January 2019	491	87	84	**662**
Transfers to Stage 1	48	(48)	-	**-**
Transfers to Stage 2	(17)	17	-	**-**
Transfers to Stage 3	-	(5)	5	**-**
Impact of transfers between stages	(45)	218	168	**341**
	(14)	182	173	**341**
Other items charged to the Income statement	74	60	(12)	**122**
Charge for year (see note 5)	60	242	161	**463**
Other changes in credit quality	(119)	20	100	**1**
At 31 December 2019	**432**	**349**	**345**	**1,126**

In respect of drawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
As at 31 December 2017	-	-	-	584
Adjustment on adoption of IFRS 9	-	-	-	(181)
Balance as at 1 January 2018	329	-	74	403
Charge for year (see note 5)	77	-	5	82
Other changes in credit quality	(36)	107	106	177
At 31 December 2018	370	107	185	662

In respect of undrawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Balance as at 1 January 2019	204	-	-	**204**
Transfers to Stage 2	(1)	1	-	**-**
Net remeasurement of loss allowances	-	2	-	**2**
Other items charged to the Income statement	76	5	-	**81**
Charge for year (see note 5)	75	8	-	**83**
Other changes in credit quality	(1)	-	-	**(1)**
At 31 December 2019	278	8	-	286

In respect of undrawn balances	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
As at 31 December 2017				-
Adjustment on adoption of IFRS 9				-
Balance as at 1 January 2018	-	-	-	**-**
Charge for year (see note 5)	204	-	-	**204**
At 31 December 2018	204	-	-	204

18. Financial risk management (continued)

18.1 Credit risk (continued)

Analysis of movement in the allowance for impairment losses by stage
At 31 December 2019

In respect of	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Loans and advances to customers	**432**	**349**	**345**	1,126
Commitments to lend	**278**	**8**	-	286
Total	**710**	**357**	**345**	**1,412**
At 31 December 2018				
In respect of				
Loans and advances to customers	370	107	185	662
Commitments to lend	204	-	-	204
Total	574	107	185	866

Repossessed collateral

Collateral held against Loans and advances to customers is principally comprised of motor vehicles. The Company does not take physical possession of any collateral; instead it uses agents to realise the collateral's value as soon as practicable, usually at auction, to settle indebtedness. Any surplus funds are then returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

During the year the Company repossessed collateral in respect of defaulted debt with a value of £nil (2018: £nil).

18.2 Liquidity risk

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

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

The Company is funded entirely by companies within the Group. Such funding is repayable on demand, although there is no expectation that such a demand would be made. With the exception of derivative financial instruments (see note 18.6), all other financial liabilities are repayable on demand.

18.3 Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the repricing of financial assets and liabilities. Interest rate risk is managed at a divisional level, however the Company is exposed to interest rate fluctuations due to factors outside the Company, and as a result a sensitivity analysis has been prepared to illustrate the impact of a change in the rates.

In respect of a particular portfolio of larger leases, however, the Company has managed interest rate risk through use of interest rate swaps held with Group companies which convert interest payable on group borrowings from floating to fixed rate in order to match the fixed rentals receivable on the Company's finance lease books.

18. Financial risk management (continued)

18.3 Interest rate risk (continued)

Interest rate risk - sensitivity analysis

The sensitivity analysis is based on the Company's Amounts due to group undertakings and takes account of movement in the LIBOR which is the basis for the interest rate on intercompany balances. A 0.81% (2018: 0.68%) increase or decrease is used to assess the possible change in Interest expense. This rate is appropriate as it is the amount by which the LIBOR increased in the year.

If the LIBOR increased by 0.08% and all other variables remain constant this would increase Interest expense by £3,360,000 (2018: £2,234,000) and accordingly decrease Interest expense by £3,360,000 (2018: £2,234,000) if the LIBOR decreased by the same amount.

18.4 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

18.5 Financial strategy

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

18.6 Fair values of financial assets and liabilities

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

Fair values of Loans and advances to customers are considered to be level 2 in the valuation hierarchy as their fair value is estimated by discounting anticipated cash flows (including interest at contractual rates) at market rates for similar loans prevailing at the Balance sheet date.

The aggregated fair value of Loans and advances to customers is approximately £192,727,000 (2018: £158,222,000). Derivative financial instruments are carried at fair value. The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

Notes to the financial statements (continued)
For the year ended 31 December 2019

19. 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.

20. Contingent liabilities and capital commitments

There were no contracted capital commitments at the Balance sheet date (2018: £nil).

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs (HMRC) adopt a different interpretation and application of tax law which might lead to additional tax. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities for the company of approximately £30,375,000 (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.

21. Post balance sheet events

In March 2020 the World Health Organisation declared the outbreak of Covid-19 a global pandemic. The outbreak and the action taken by government's across the world are causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK. The Directors assess this event to be a non-adjusting post balance sheet event given the limited number of cases reported as at 31 December 2019. In view of its currently evolving nature, the Directors continue to monitor the developments closely.

Based upon an initial assessment of the likely impact of the pervasive disruption experienced in the UK, the directors assessed an additional credit impairment of £1,161,000 at 30 September 2020.

		Commercial £'000	**Fleet £'000**	**Total £'000**
Drawn		176	806	982
Undrawn		-	179	179
Total	**-**	**176**	**985**	1,161

22. Restatement of comparatives

The comparative information reported has been restated as explained below:

	Restated	Adjustment	Previously reported
	£'000	£'000	£'000
Statement of comprehensive income			
year ended 31 December 2017			
From finance lease and hire purchase contracts	**1,546**	(406)	1,952
Total interest income	**1,546**	(406)	1,952
Net interest expense	**1,202**	(406)	1,608
Profit before tax	**654**	(406)	1,060
Taxation	**740**	693	47
Profit after tax	**1,394**	287	1,107
year ended 31 December 2018			
From finance lease and hire purchase contracts	**3,613**	49	3,564
Total interest income (note 3)	**5,089**	49	5,040
Net interest expense	**2,743**	49	2,694
Profit before tax	**2,240**	49	2,191
Taxation	**(899)**	(9)	(890)
Profit after tax	**1,341**	40	1,301
Balance sheet as at 1 January 2018			
Assets			
Trade and other receivables	**298,060**	18,424	279,636
Loans and advances to customers	**55,097**	(18,829)	73,926
Current tax asset	**3,044**	(783)	3,827
Deferred tax asset	**22,937**	1,475	21,462
Total assets	**379,138**	287	378,851
Equity			
Retained earnings	**4,597**	287	4,310
Balance sheet as at 31 December 2018			
Assets			
Trade and other receivables (note 8)	**161,966**	(646)	162,612
Loans and advances to customers (note 11)	**156,680**	292	156,388
Current tax asset	**3,927**	(1,228)	5,155
Deferred tax asset (see note 12)	**17,165**	1,909	15,256
Total assets	**339,738**	327	339,411
Equity			
Retained earnings	**5,938**	327	5,611

Due to improved systems and more granular information being available, management has identified that the new business reflected in the Company's financial statements was not in accordance with the terms of the agency agreement in place with Lloyds Bank Plc. The adjustments required in order to align the accounting with the agency agreement are reflected within the table above. These have therefore been corrected in these financial statements.

As a result the gross loans and advances to customers previously reported have been reduced with corresponding adjustments made to the intercompany balances with Lloyds Bank plc. Further adjustments have been made to eliminate the interest recognised on these loans and the consequential impact on tax balances.

A net increase in Loans and advances to customers of £19,121k has been reclassified in the Cash flow statement in the 2018 comparatives. Previously this was reported within cash used in operations and is now reported within cash flows generated from financing activities.

The reclassification has increased cash used in operations and cash generated from financing activities by £19,072k. Profit before tax reported in the Cash flow statement has increased by £49k.

23. Future developments

The following pronouncement will be relevant to the Company but was not effective for the year ended 31 December 2019 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020 (including IFRS 3 Business Combinations and IAS 1 Presentation of Financial Statements).	Annual periods beginning on or after 1 January 2019

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

24. Ultimate parent undertaking and controlling party

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

Independent Auditors' report to the member of United Dominions Leasing Limited

Report on the audit of the financial statements

Opinion

In our opinion, United Dominions Leasing Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2019; the Income statement, the Statement of comprehensive income, the Cash flow statement and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of United Dominions Leasing Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

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

17 November 2020