Lex Autolease Limited
Annual Report and Accounts 2024
Registered number: 01090741

Member of Lloyds Banking Group

The Directors present their Strategic report and audited financial statements of Lex Autolease Limited (the "Company") for the year ended 31 December 2024.

Principal activities

The principal activities of the Company are vehicle contract hire and the provision of motor vehicles under credit sale, contract purchase and finance lease agreements to corporate, commercial and personal customers.

The Directors of Lloyds Banking Group plc manage the operations of Lloyds Banking Group (the “Group") on a divisional basis. The Company is included within the Transport business, which sits within the Consumer Lending business unit, within the Retail Division of the Group. 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. The Company is funded entirely by other companies within the Group.

The Company is funded entirely by other entities within the Group.

Business overview

The Company's result for the year shows a loss before tax of £10,635,000 (2023: Profit before tax £124,468,000) and a gross profit of £321,288,000 (2023: £413,477,000). The decrease in the Company's reported profit is principally driven by increased underlying depreciation charges on the growing funded fleet, lower profit on disposal of motor vehicles due to market conditions in the second hand car market and increased interest expense on the Company’s borrowings due to the increase in interest rates during the current year.

The Company holds net assets of £182,135,000 (2023: £190,044,000). Property, plant and equipment forms the majority of the asset balance. The Company has property, plant and equipment of £5,729,677,000 (2023: £5,443,289,000) as at 31 December 2024. The overall increase in property, plant and equipment reflects the fleet composition from operating lease agreements with an increase in average cost of vehicles. The Company funds the fleet by other companies within the Group, this is reflected in borrowed funds of £5,835,102,000 as at 31 December 2024 (2023: £5,414,380,000) and is the main liability balance.

The Directors consider the level of new business written in the year to be satisfactory and in line with expectations. New business volumes has decreased by 6% (2023: 30% increase) which is attributable to enduring elevated prices, management of residual value risk and economic pressures and shifting consumer preferences. The value of the total funded vehicles grew by 6% (2023: 14%) in the year due to increases in the cost of new vehicles and customer interest switching to more expensive electric vehicles or hybrid systems. The Company’s market share of deliveries remains at 17% for 2024 (2023: 17%).

Future outlook

The Company has observed that following an increase of just 3% in 2024 for new car and Light Commercial Vehicle ("LCV") registrations, growth is expected to be muted in 2025 as manufacturers continue to work towards the requirements of the Zero Emission Vehicle ("ZEV") mandate.

Used car price stability returned to the market during 2024, particularly in the latter half and this is expected to continue into 2025 as a result of continued constraint of used supply arising from the shortfall of registrations during the COVID-19 period. However, rising levels in supply of used Battery Electric Vehicles ("BEV") is likely to keep downward pressure on this segment of the market. Used LCV values are showing signs of stabilising with the outlook expected to remain as such, following continued falls during 2024 from what was a considerable peak in early 2023. While used vehicle prices stabilised in 2024 some level of volatility can be expected going forward as the industry deals with the transition to electric. This will be closely monitored by management.

Any adverse changes affecting the UK economy may have direct and indirect credit and operational exposures. Any further deterioration in global macroeconomic conditions, including as a result of geopolitical events, global tariff uncertainty, global health issues or acts of war or terrorism, could have an adverse effect on the Company’s results.

The Company has observed that supply challenges have stabilised and does not anticipate an industry wide supply issue going forward. There remains uncertainty on the UK economy following financial challenges caused by the impacts of inflation pressures and rising energy costs. This could adversely affect the performance of the Company, as small and medium sized business profits are impacted.

Stable new deliveries illustrate an easing of the supply issues seen historically with this the volume of operating lease vehicles in informal extension have continued to normalise. However, we anticipate a continued heightened propensity for customers to enter into informal extension or request formal extensions to their current leases due to the increased cost of leasing a new vehicle compared to their current monthly rental payments. This situation will continue to be closely monitored in 2025.

Vehicle returns stabilised in 2024 with a normalisation of the order bank which represents the commitments of the company to acquire motor vehicles to satisfy customer orders. Details of the capital commitments of the Company are contained in note 22 to the financial statements.

In 2024 the Company started to lease second hand vehicles as part of its de-hire strategy, giving customer access to lower rentals for Contract Hire and supporting end of life disposal performance.

Future outlook (continued)

The Company is also focused on achieving its objectives around the climate change agenda and is working with its customers to develop products and propositions to facilitate the switch to electric vehicles. In 2024 electric vehicle sales accounted for 45% (2023: 46%) of the new orders placed. The Company expects the current growth in electric vehicles to continue as corporate customers take action to meet net zero emissions targets.

Economic environment

The current financial year has been a year of change and economic uncertainty, with the cost of living crisis, rising geopolitical tensions and an ongoing climate emergency.

These factors have all contributed to increasing the cost of living which impacts the Group and customers of its subsidiaries. In line with the Group's purpose of Helping Britain Prosper and its clear customer focus, the Group continues to provide support to those most affected by changes to the economic environment. The Company will continue to monitor the situation and risks to the business.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are included in note 20 of the financial statements.

The Company's approach to Environmental, Social and Governance ("ESG") risks is aligned to that of the Group. Further information in respect of the ESG risks in Lloyds Banking Group plc are included within the Strategic report within the Lloyds Banking Group plc Annual Report and Accounts for 2024.

The Directors consider that one of the key drivers of performance for the Company are the fluctuations in the residual values of fleet vehicles. Residual values are impacted by the UK economy along with supply constraints, which influence the performance on disposal of ex-fleet vehicles in the second-hand car market. Additional volatility exists with battery electric vehicles ("BEV") which have historically been priced at a premium to internal combustion engine vehicles, however, significant price reductions have been seen through 2024 as significant volumes of BEVs have come into the used car market for the first time.

Credit risk, liquidity risk, market risk and interest rate risk are managed and monitored by risk teams internal to the Group. Further details of these risks and the risk management policy are contained in note 20 of the financial statements.

Credit risk

Credit risk arises on the individual customer balances on the Loans and advances to customers, owned vehicles leased to customers and Trade and other receivables. These loans and operating lease rentals receivable are continually monitored by the Group's internal risk teams for credit performance and to ensure compliance with current regulations and that customers are being treated fairly. Further information can be found in note 20.1.

Liquidity risk

Liquidity risk is the risk of the Company being unable to meet its financial obligations. Liquidity risk is subject to independent oversight by internal risk teams. The Company's ability to meet its funding obligations is closely monitored by the Group's Corporate Treasury team. Further information can be found in note 20.2.

Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of operating lease agreements where the Company retains title of the asset. The Company is exposed to fluctuations in the value of second hand motor vehicles and will be adversely impacted if disposal proceeds are less than the forecast net book value.

The Company holds larger residual value impairment provision against electric cars which reflects uncertainty around technological development, the lack of market data on second hand electric vehicles and the fall in used prices through 2024. The growing popularity in electric vehicles along with manufacturers increasing volumes on BEVs in the UK in line with Zero Emission Vehicle ("ZEV") mandate increases the Company's exposure to electric vehicle residual value risk. Further information can be found in note 20.3.

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis, or are reset at different times. Interest rate risk for the Company includes customer lending and intragroup funding obligations. Further information can be found in note 20.4.

Key performance indicators ("KPIs")

The key performance indicators considered for the Company are listed below:

KPI	2024	2023	Analysis
(Loss) / Profit before tax (£'000)	**(10,635)**	124,468	The decrease is driven by increased underlying depreciation charges on the growing funded fleet, lower profit on disposal of motor vehicles due to market conditions in the second hand car market and increased interest expense on the Company's borrowings due to the increase in weighted average interest rates during the current year.
Disposal profit (£'000)	**28,853**	54,445	The movement on disposal profit is primarily driven by proceeds decreasing between 2023 and 2024 and is reflective of average proceeds for vehicle disposals falling due to reductions in used car prices. In addition, impairment charge taken in 2023 reduced carrying value to closer to the disposal value for 2024. Refer to note 3 for further detail of disposal proceeds and cost of sales.
Net income (£'000) (Gross profit less net interest expenses)	**101,491**	258,994	The decrease is principally driven by increased underlying depreciation charges on the growing funded fleet, lower profit on disposal of motor vehicles due to market conditions in the second hand car market and increased interest expense on the Company's borrowings due to the increase in interest rates during the current year.
Total fleet size (number of vehicles)	**278,580**	281,362	The main component of the Company's vehicle assets relates to operating leases, accounting for 92% of the total funded fleet (2023: 92%). The remaining 8% of the fleet is made up of vehicles assets under finance leases, contract purchase agreements and employee car ownership schemes (2023: 8%). Fleet size has decreased following a reduction in deliveries and informal extensions.
Contract hire fleet size	**256,195**	259,373	The total contract hire fleet size has remained stable decreasing by 1%.
Informal extensions	**29,519**	35,770	Informal extensions decreased due to the easing supply constraints that was present in 2023.
Deliveries	**73,878**	77,937	Deliveries have fallen by 4059 vehicles in the year as the Company continues to manage residual value risk relating to vehicle price movements, alongside economic pressures and uncertainty around consumer preferences. As at Dec 24 YTD the total deliveries were 73,878 of which 45% relates to BEVs (2023: 46%) and 55% relates to non-BEVs (2023: 54%) .

Section 172(1) statement

This section (pages 3 to 4) is the Company's Section 172(1) statement for the purposes of the Companies Act 2006 ("the Act"), describing how the Directors 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.

This statement provides details of how the Directors have engaged with, and had regard to the interest of key stakeholders. The Company is a subsidiary of the Group, and as such follows many related processes and practices of the Group, which are further referred to in this statement where relevant.

Engagement and 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 the Group , is to effectively manage its customer base to generate sustainable returns, central to which is ensuring engagement with all 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 and maintaining the Company's reputation.

Customers

The Directors ensure the Company, as part of the Group, works toward achieving the Group's customer ambitions by focussing on customer fair value and by treating customers fairly. The Directors, informed by customer engagement activity across the wider Group, including customers of the Company, have worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. Customer engagement activity has also informed how the Company supports customers in longer term financial difficulty, with a range of debt management options including repayment plans.

The Company is an active participant in the Group's broader Transport business initiatives. In response to customer feedback, this includes continued investment in enhancing the customer journey and proposition for our strategic partners and dealer introduced customers, and a longer term project to move onto a new lending platform.

Section 172(1) statement (continued)

Colleagues

Colleagues remain central to the delivery of the Company's strategic ambitions and this continues to be recognised in the colleague engagement activity undertaken across the Group, in which the Company participates. Group engagement this year included a variety of sessions to discuss topical issues relating to challenges both at and outside of work. As in 2023, the Group Board's Responsible Business Committee has been the designated body for workforce engagement across the Group. The Board considers these arrangements to be effective as they enable a broader range of colleague engagement activities. In continuing to consider arrangements for engaging with the workforce across the Group, the Group Board approved in 2024 a new approach to colleague engagement, to be implemented during 2025. This new approach builds on existing colleague listening activity and will introduce three forums to better represent colleagues particularly at grades where trade union membership is low. The forums will include the People Forum, the People Consultation Forum, and the Management Advisory Forum.

Shareholders

The Company is a wholly owned subsidiary of Lloyds Banking Group plc, forming part of the Consumer Lending Business Unit. As a wholly owned subsidiary, the Directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned to those of the Group where required, ensuring that the interests of the Group as the Company's ultimate parent company are duly acknowledged. Further information in respect of the relationship of the Group with its shareholders is included within the Strategic Report within Lloyds Banking Group plc's Annual Report and Accounts for 2024, which does not form part of this report, available on the Lloyds Banking Group website.

Communities and the environment

The Company continues to support the Group's community and environment related initiatives, including Helping Britain Prosper, by considering and responding to the Group's related stakeholder engagement, and actively managing its current book of hire purchase products and other loans in a manner which responds to relevant feedback. In addition, the Company is an integral part of supporting the Group's desire to support the transition to electric vehicles, and participates in a number of commitments the Group has made to support the green agenda, including developing and growing relationships with key strategic Electric Vehicle Original Equipment Manufacturers. Further information in respect of the Group'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 Annual Report and Accounts for 2024, which does not form part of this report. Additional information on the Group's role in this regard is available within the Strategic Report and Sustainability Review sections of the Group's Annual Report and Accounts for 2024, available at: https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Regulators

The Company provides quarterly updates to relevant regulators including disclosures on its capital position. Regulatory relationships continues to be important, and are managed to ensure proactive engagement across key regulatory changes and areas of focus. The overall approach regulatory engagement of the Company aligns to that of the Group, which is detailed further in the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, and is available on the Lloyds Banking Group website at: https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Suppliers

The Directors ensure the Company, as part of the Group , follows the Group's supplier oversight model. This model assesses supplier activity against a set of risks that this activity poses. The Company as part of the Group's Transport business works with the Group's Consumer Lending Chief Operating Office to understand and agree a supplier risk oversight routine; one which regularly reviews and shares supplier performance and considers risks and mitigations across resiliency of service provision, supplier conduct in delivering customer treatment, alongside data handling and cyber risk oversight. This oversight extends to ensuring the Company pays its suppliers in a timely manner, to help our supplier base prosper. This framework is currently focussed on those suppliers considered to present the highest risk, and the work to understand and mitigate the risk profile of the current supplier base is continual.

Emerging risks

The Directors consider the following to be risks that have the potential to increase in significance and affect the performance of the Company.

The key risks are financial, derived from both physical risks (climate and weather-related events) and transition risks resulting from the process of adjustment towards a low carbon economy. Climate change extends across multiple risk types e.g. credit, market, conduct and operational. For example physical and transition risks could result in the impairment of asset values, which may impact the creditworthiness of our clients, and the products and services our customers require.

The focus on these risks by key stakeholders including businesses, clients, shareholders, governments and regulators is increasing, aligned to the evolving societal, regulatory and political landscape. There also remains a risk that the level and pace of responses taken by the Group are insufficient to mitigate these risks. This could lead to campaign groups or other bodies seeking to take action against the Group or the financial services industry for funding organisations that they deem to be contributing to climate change.

Emerging risks (continued)

Any deterioration in global macroeconomic conditions continues to be monitored, particularly as a result of geopolitical events and global tariff uncertainty.

Additionally, the growth of the electric vehicle market as customers transition from Internal Combustion Engine vehicles poses a risk of uncertainty in the residual value estimates that we assume in our pricing, especially in the second hand electric vehicle market which remains relatively immature. This could impact the Company's relative competitiveness in the market where other lenders take a different view of residual values, and/or could result in the need to adjust the Company's impairment provisions.

The Company is out of scope of the Streamlined Energy and Carbon Reporting ("SECR"), as it does not have to report on SECR in its own Director's Report where included in the Group's SECR statement of a UK Group report. Further information in respect of SECR is included within the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, available on the Lloyds Banking Group plc website.

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:

Nick Williams

N A Williams

Director

30 June 2025

The Directors present their Annual Report and Accounts for the year ended 31 December 2024.

General information

The Company is a private company limited by shares, incorporated, registered and domiciled in England and Wales, United Kingdom (registered number: 01090741).

Registered office

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

Employees

The Company has no direct employees (2023: nil). All staff are employed by other companies within the Group and the relevant staff costs are recharged to the Company. Full details of policies relating to disabled persons, together with details of actions taken regarding the provision of information to employees, their consultation and involvement, are shown in the Lloyds Banking Group plc 2024 Annual report and Accounts, which does not form part of this report, and is available on the Lloyds Banking Group plc website: https://www.lloydsbankinggroup.com/investors/financial-downloads.html .

Dividends

No dividends were paid or proposed during the year ended 31 December 2024. A dividend of £439,000,000, representing a dividend of £73.62 per share, was proposed and paid during the year ended 31 December 2023.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of approval of the accounts. Thus they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts. Further details regarding the adoption of the going concern basis can be found in note 1.1 to the financial statements.

Events after the reporting date

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

Directors

The current Board of Directors of the Company are shown below.

A B Ambani
G D Gould
J McCaffrey
P L Hyne
N A Williams

The following changes have also taken place between the beginning of the reporting period and the approval of the Annual Report and Accounts:

K Morris	(resigned 31 October 2024)
P L Hyne	(appointed 31 October 2024)

Company Secretary

The Company Secretary is R Beattie.

The following changes have taken place between the beginning of the reporting period and the approval of the Annual Report and Accounts.

D D Hennessey	(resigned 8 January 2024)
P Gittins	(appointed 19 January 2024 and resigned 31 July 2024)
R Beattie	(appointed 31 July 2024)

Information included in the Strategic report

The disclosures for future outlook, principal risks and uncertainties, 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 1 to 5.

Statement of engagement with employees and other stakeholders

A statement of engagement with employees and other stakeholders is included in the Strategic report on pages 3 and 4.

Corporate Governance Statement

In accordance with the Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the "Regulations"), for the year ended 31 December 2024, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"), which are available at frc.org.uk. The following section explains the Company's approach to corporate governance, and its application of the Principles.

Principle One – Purpose and Leadership

The Board is collectively responsible for the long term success of the Company. It achieves this by agreeing the Company's strategy, within the wider strategy of Lloyds Banking Group plc, and overseeing delivery against it. The Company's strategy is discussed further in the Strategic Report on pages 2 to 4 of these financial statements. The Board also assumes responsibilities for the management of the culture, values and wider standards of the Company, within the equivalent standards set by the Group.

Consideration of the needs of all stakeholders is fundamental to the way the Company operates, as is maintaining the highest standards of business conduct, which along with ensuring delivery for customers is a vital part of the corporate culture. The Company's approach is further influenced by the need to build a culture in which everyone feels included, empowered and inspired to do the right thing for customers. To this end, the Board plays a key role in establishing, promoting and monitoring the Company's corporate culture and values, aligning to the culture and values of the Group, which are discussed in more detail in the Strategic and Directors' report of the Lloyds Banking Group plc Annual Report and Accounts for 2024, which does not form part of this report, and is available on the Lloyds Banking Group plc website: https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Principle Two – Board composition

The Board considers its composition regularly, and is committed to ensuring it has the right balance of skills and experience. The Board considers that its current size and composition is appropriate to the Company's circumstances. New appointments are made on merit, taking account of the specific skills, experience and knowledge needed to ensure a rounded Board and the benefits each candidate can bring to the Board overall.

The Board undertakes an annual review of its effectiveness, which provides an opportunity to consider ways of identifying greater efficiencies, ways to maximise strengths and highlights areas of further development. The effectiveness review is commissioned by the Board, assisted by the Company Secretary.

Principle Three – Director Responsibilities

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 though related Group processes. Policies are also in place in relation to potential conflicts of interest which may arise. The Chair of the Board assumes responsibility with support from the Company Secretary for the provision to each meeting of accurate and timely information.

Corporate Governance Statement (continued)

Principle Four – Opportunity and Risk

Strategic opportunities which may arise are considered in the first instance by the Board of the Group, as part of the Group Board's role in considering such opportunities relevant to itself and its subsidiaries. Any opportunity which is specifically relevant to the Company is subsequently considered by the Board. The Board is responsible for the long term sustainable success of the Company, generating value for its shareholder and ensuring a positive contribution to society. Key to this are the Company's culture, purpose, values and strategy, as discussed under Principle One, which are closely aligned to those of the Group. Strong risk management is central to the strategy of the Company, which along with a robust risk and control framework, acts as the foundation for the delivery of effective risk management. The Board agrees the Company's risk appetite, within the wider risk appetite of the Group, and ensures the Company manages risk effectively through delegation within the management hierarchy.

Board level engagement, coupled with the direct involvement of management in risk issues, ensures that escalated issues are promptly addressed and remediation plans are initiated where required. The Company's risk appetite, principles, policies, procedures, controls and reporting are managed in conjunction with those of the Group, and as such are regularly reviewed to ensure they remain fully in line with regulations, law, corporate governance and industry best practice. The Company's principal risks are discussed further on page 3.

Principle Five – Remuneration

The Remuneration Committee of the Group's Board assumes responsibility for the approach to remuneration for certain of its subsidiaries, including that of the Company. This includes reviewing and making recommendations to the Group Board on remuneration policy. Whilst the Company has no direct employees (2023: no direct employees), all staff associated with the Company are employed by an intermediate parent undertaking, Lloyds Bank Asset Finance Limited.

Principle Six – Stakeholders

The Company, as part of the Group, operates under the Group's wider approach to responsible business, which acknowledges that the Group and the Company have a responsibility to help address the economic, social and environmental challenges which the UK faces, and as part of this understand the needs of the Group's and the Company's external stakeholders. Central to this is the Group's and the Company's purpose of Helping Britain Prosper. In 2024, the Group Board's Responsible Business Committee provided further oversight and support of the Group's and the Company's plans for embedding responsible business in the Group's and the Company's core purpose.

Directors' indemnities

Lloyds Banking Group plc has granted to the Directors of the Company a deed of indemnity which constitutes '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 the Directors who joined 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 had the benefit of this deed of indemnity during that period of service.

The deed for existing Directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic reports 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 are required to prepare the Company's financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 the financial statements comply with international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

Statement of Directors' responsibilities (continued)

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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the Directors, as listed in the Directors' report, confirm to the best of their knowledge that:

- the Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit/loss of the Company; and

- the Strategic report and the Directors' report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risk and uncertainties that it faces.

Auditor and 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 auditor is unaware; and
- the Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Deloitte LLP is deemed to be re-appointed as auditor under section 487(2) of the Companies Act 2006.

Approved by the Board of Directors and signed on its behalf by:

Nick Williams

N A Williams
Director

30 June 2025

Statement of comprehensive income
For the year ended 31 December 2024

	Note	2024 £'000	2023 £'000
Revenue		**2,412,751**	2,274,416
Direct costs		**(2,091,463)**	(1,860,939)
Gross profit	3	**321,288**	413,477
Interest expense	4	**(219,797)**	(154,483)
Other operating expenses	3	**(112,126)**	(134,526)
(Loss)/Profit before tax		**(10,635)**	124,468
Taxation	8	**2,726**	(31,771)
(Loss)/Profit for the year, being total comprehensive income		**(7,909)**	92,697

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

Balance sheet
As at 31 December 2024

	Note	**2024**	2023
		£'000	£'000
ASSETS			
Cash and cash equivalents		**55,974**	46,178
Trade and other receivables	9	**312,522**	308,380
Loans and advances to customers	10	**312,298**	243,183
Property, plant and equipment	11	**5,729,677**	5,443,289
Intangible assets	12	**4,673**	1,429
Deferred tax asset	16	**62,396**	58,385
Total assets		**6,477,540**	6,100,844
LIABILITIES			
Borrowed funds	13	**5,835,102**	5,414,380
Trade and other payables	14	**384,291**	432,145
Provision for liabilities and charges	15	**39,848**	39,952
Current tax liability		**36,164**	24,323
Total liabilities		**6,295,405**	5,910,800
EQUITY			
Share capital	18	**5,963**	5,963
Retained earnings		**176,172**	184,081
Total equity		**182,135**	190,044
Total equity and liabilities		**6,477,540**	6,100,844

The accompanying notes 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:

Nick Williams

N A Williams
Director

30 June 2025

Statement of changes in equity
For the year ended 31 December 2024

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2023		5,963	530,384	536,347
Profit for the year being total comprehensive income		—	92,697	92,697
Dividend paid	17	—	(439,000)	(439,000)
At 31 December 2023		5,963	184,081	190,044
Loss for the year being total comprehensive expense		**—**	**(7,909)**	**(7,909)**
At 31 December 2024		**5,963**	**176,172**	**182,135**

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

Cash flow statement
For the year ended 31 December 2024

	Note	2024	2023
		£'000	£'000
Net cash used in operating activities			
(Loss)/Profit before tax		**(10,635)**	124,468
Adjustments for:			
- Interest expense	4	**219,797**	154,483
- Depreciation and impairment on property, plant and equipment and land and buildings	3	**1,120,380**	905,134
- Amortisation of intangible assets	3	**1,282**	1,578
- Purchase of property, plant and equipment	11	**(2,234,172)**	(2,391,982)
- Net book value of disposal of Property, plant and equipment	11	**827,404**	842,479
Changes in operating assets and liabilities			
- Net increase in Loans and advances to customers	10	**(69,115)**	(41,552)
- Net increase in Trade and other receivables	9	**(4,142)**	(52,584)
- Net (decrease)/increase in Trade and other payables	14	**(47,854)**	22,514
- Net decrease in Provision for liabilities and charges	15	**(104)**	(9,426)
Cash used in operations		**(197,159)**	(444,888)
Tax received/(paid)		**10,557**	(62,317)
Net cash used in operating activities		**(186,602)**	(507,205)
Cash flows used in investing activities			
Acquisition of intangible assets	12	**(4,526)**	–
Net cash used in investing activities		**(4,526)**	–
Cash flows generated from financing activities			
Increase in net borrowings with Group undertakings	13	**420,722**	1,075,970
Dividends paid	17	**–**	(439,000)
Interest paid	4	**(219,797)**	(154,483)
Net cash generated from financing activities		**200,925**	482,487
Change in Cash and cash equivalents		**9,797**	(24,718)
Cash and cash equivalents at beginning of year	19	**46,177**	70,895
Cash and cash equivalents at end of year		**55,974**	46,177

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

Note 1. Material accounting policies

The material 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.

Note 1.1. Basis of preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In preparation of these financial statements the Balance sheet has been arranged in order of liquidity.

No new IFRS pronouncements that had a material impact have been adopted in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2024 and which have not been applied in preparing these financial statements are given in note 24. No standards have been early adopted.

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

The financial statements have been prepared the historical cost convention.

The Directors are satisfied that the financial statements have been prepared on a going concern basis taking into account the following:

- There is a net asset position of £182,135,000 (2023: £190,044,000);
- The Company does not have external debt and is funded by other companies within the Group;
- The Company will continue to be able to repay its liabilities as they fall due through its liquid assets and/or its ability to drawdown on further funding as required from its intermediate parent, Lloyds Bank plc; and
- That it is the intention of Lloyds Bank plc, to continue to provide adequate access to liquidity for the foreseeable future.

Note 1.2. Income recognition

Revenue

Revenue substantially comprises rental income earned from operating lease services rendered to customers, which is credited to the Statement of comprehensive income on a straight line basis, and due to the Company routinely disposing of its assets, the sales proceeds received on disposal of ex-leased vehicles. Vehicle sales are recognised in the period in which the sale occurs, with the book value of the vehicle being charged to direct costs.

Included within Revenue is income in respect of vehicle maintenance agreements. Customers can purchase service packages for their leased vehicles, paid for through a fixed amount each month over the duration of the contract. The Company's performance obligation to the customer is to provide maintenance services on an ongoing basis in line with manufacturer set service intervals or repairs as and when the need arises. This obligation is deemed to be satisfied on the completion of the MOT, mileage interval service, or repair which can be at any point during the contract term. Due to usage, ageing and wear and tear, the majority of costs are typically incurred in the later stages of the contract term. The Company recognises a small percentage of the revenue on a monthly basis in the Statement of comprehensive income to cover the other support and technical overheads, with the remainder of the revenue being deferred to the Balance sheet. When the maintenance expenditure is incurred, the cost and associated deferred revenue are recognised in the Statement of comprehensive income.

The Company recognises all remaining deferred income or excess maintenance spend at the point of vehicle de-hire on an individual basis and these amounts are taken to the Statement of comprehensive income through Direct costs in the period the contract terminates.

These services are provided on a principal basis as the Company has primary responsibility for the provision of the service, controls what maintenance services are provided to the customer and takes the risk of over and under spend including inflationary impacts and the customers have no ongoing relationship with the garages performing the service. The Company does not refund maintenance rentals paid if the customer terminates the contract early.

Other income includes amounts arising at the end of vehicle contracts, which are recognised in the period during which the contract terminates.

Note 1. Material accounting policies (continued)

Note 1.2. Income recognition (continued)

Revenue (continued)

Interest receivable on credit sale agreements, finance lease agreements and contract purchase agreements is credited to the Statement of comprehensive income over the contractual life of each contract using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the contractual life of the financial instrument.

For loan products, the effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the contractual life of a financial instrument to the net carrying amount of the financial asset or liability. The effective interest rate for leasing products is similar except that future cash payments or receipts are assessed over the contractual life of the agreement.

Lease Classification

Assets leased to customers under finance lease and hire purchase agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases.

Lease agreements, which do not represent finance leases, are classified as operating leases. Assets leased to customers under such agreements are included in Property, plant and equipment and are depreciated over their lease term down to their anticipated realisable value on a straight line basis. Anticipated realisable values are regularly reassessed and the impact upon the depreciation charge is adjusted prospectively.

Note 1.3. Financial assets and liabilities

Financial assets comprise Trade and other receivables and Loans and advances to customers. Financial liabilities comprise Borrowed funds and Trade and other payables.

On initial recognition, all financial assets are classified and measured at amortised cost. All financial liabilities are 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.

Financial instruments measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost are Loans and advances to customers, Amounts due from Group undertakings and Trade and other receivables. Loans and advances are initially recognised when cash is advanced to the borrower at fair value inclusive of transaction costs. Interest income is accounted for using the effective interest method.

Expected credit losses are deducted from loans and advances and finance lease receivables. Provisions made during the year, less amounts released and recoveries of amounts written off in previous years are charged to the Statement of comprehensive income.

Note 1. Material accounting policies (continued)

Note 1.4. Impairment

The impairment charge in the Statement of comprehensive income includes the change in expected credit losses ("ECL") over the year including those arising from fraud. ECL are recognised for Loans and advances to customers and other financial assets held at amortised cost, together with any loan commitments. ECL are calculated as an unbiased and probability-weighted estimate using an appropriate probability of default ("PD"), 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 repayments 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 credit impairment losses recorded in the Statement of comprehensive income. The write-off takes place only once an extensive set of collections processes have been completed, or the status of the account reaches a point where policy dictates that continuing concessions are no longer appropriate.

Trade receivables

Trade receivables represent amounts outstanding from operating lease customers in relation to rentals due. Provisions held against these trade receivables make up the majority of the impairment on financial assets. A simplified model for impairment is applied to provide for lifetime expected credit losses when a customer has defaulted or the debt is overdue by 4 months or more.

Loans and advances to customers

At initial recognition, allowance (or provision in the case of some loan commitments) is made for ECL resulting from default events that are possible within the next 12 months (12-month ECL). In the event of a significant increase in credit risk ("SICR"), allowance (or provision) is made for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Financial assets where 12-month ECL 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 or are otherwise considered to be credit impaired are allocated to Stage 3.

Unless identified at an earlier stage, the credit risk of financial assets is deemed to have increased significantly when more than 30 days past due. Where the credit risk subsequently improves such that it no longer represents a significant increase in credit risk since initial recognition, the asset is transferred back to Stage 1. Assets are transferred to Stage 3 when they have defaulted or are otherwise considered to be credit impaired. Default is considered to have occurred when there is evidence that the customer is experiencing financial difficulty which is likely to affect significantly the ability to repay the amount due. Unless identified at an earlier stage, default is deemed to have occurred when a payment is 90 days past due. A Stage 3 asset that is no longer credit-impaired is transferred back to Stage 2 as no general probation period is applied to assets in Stage 3.

Note 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.

Note 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 His Majesty's Revenue and Customs (HMRC) or other relevant 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 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.

Note 1. Material accounting policies (continued)

Note 1.6. Taxation, including deferred income taxes (continued)

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. In certain cases where forecast profits are not expected to be sufficient to support the recognition of a deferred tax asset on a standalone entity basis, further consideration has been given to the availability of UK group relief with connected companies to support the recognition.

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.

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes.

Note 1.7. Dividends paid

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

Note 1.8. Property, plant and equipment

Property, plant and equipment includes Freehold land and buildings, Owned vehicles not leased to customers and Owned vehicles leased to customers.

Owned vehicles not leased to customers are stated at cost and not depreciated until they are leased to a customer, whereupon they are transferred to Owned vehicles leased to customers.

Owned vehicles leased to customers are stated at cost and are depreciated to expected residual values on a straight line basis over its expected economic life, typically between 1 and 5 years.

The residual values of Property, plant and equipment are regularly reviewed, any changes in forecast residual values are accounted for in forward looking depreciation over the life of the asset.

Buildings are stated at cost and are depreciated using the straight line method to allocate the difference between the cost and expected residual value over the estimated useful life. Land is not depreciated.

Impairment of Property, plant and equipment

Impairment of owned vehicles leased to customers under operating leases is assessed by comparing the carrying amount with the recoverable amount. Any impairment identified in this way is charged immediately to the Statement of comprehensive income.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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, including future rentals receivable and a current assessment of residual values, discounted at the Company's weighted average cost of capital. Such provisions may be released if the recoverable amount returns to, or exceeds the carrying amount. This assessment is performed on an asset by asset basis. The method and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between the loss estimates and actual loss experience.

Note 1.9. Intangible assets

Expenses incurred for software product development are expensed as incurred unless the technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. Such expenses and advances paid for software development which is not yet ready for the intended use as at the Balance sheet date are recognised as Intangible assets. Once they are completed for the intended use, the intangible assets are carried at historical costs less accumulated amortisation, and are amortised over a period of 7 years using the straight line method. The amortisation charge for the year is recognised through the Statement of comprehensive income, within Other operating expenses.

Intangible fixed assets are subject to impairment review, any resulting impairment charge is taken to the Statement of comprehensive income when identified.

Note 1.10. Provision for liabilities, charges and contingent liabilities

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.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Note 2. Critical accounting judgements and key sources of estimation uncertainty

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.

(i) Key sources of estimation uncertainty & critical accounting judgements

In the course of preparing these financial statements, no critical accounting judgements have been made in the process of applying the Company's accounting policies.

The following are the key sources of estimation uncertainty 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:

Owned vehicles leased to customers

The Company views the residual value of its operating leases as a key source of estimation uncertainty which also relies on a critical accounting judgement, and as a result regularly reviews and estimates the residual value of its operating lease assets net of selling costs at the end of contract by reference to independent market value data and the prevailing economic conditions. The adjustment arising from the reviews are dealt with as set out in note 1.8.

Impairment of Property, plant and equipment for changes in residual value

The used car market in the UK is mature with prices dependent upon a broad range of economic and vehicle specific factors. These factors are taken into consideration by means of the data provided by market specialists, overlaid with adjustments to reflect Company specific knowledge and experience. The expected market price determined in this manner is the most significant assumption impacting the expected residual value of vehicles net of selling costs, realised at the point of sale at the end of the lease contract. Whilst the likely future used vehicle prices are determined based on management's best estimate, it is possible that the actual outcome will be different, therefore this is considered to be a key source of estimation uncertainty.

The relationship between used vehicle prices and the level of impairment required is non-linear. On a fleet basis, vehicles will become impaired at different levels of used vehicle price reduction and vehicles already impaired will see the impact of incremental reductions to used vehicle prices reduced by the discount rate applied. When the lease contract is impaired there is an immediate impact on profit and loss.

Furthermore, for the purpose of performing impairment testing a key estimate used is the discount rate to determine future cashflows for which Weighted Average Cost of Capital is used.

Set out below is an indication of the sensitivity of the impact to adjustments to the impairment at the Balance sheet date based on potential changes in the average future price of used cars.

Management identify different market factors that impact the future values of internal combustion engines compared with battery electric vehicles and make specific considerations when determining the level of impairment. The table below shows the combined sensitivity across the whole fleet including both internal combustion engines and battery electric vehicles.

	1pp		2pp		5pp	
	Increase	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
2024	**(15,493)**	**16,198**	**(30,280)**	**33,155**	**(71,023)**	**88,806**
2023	(17,909)	18,498	(35,255)	37,540	(83,611)	97,636

Note 3. Profit before tax

	2024	2023
	£'000	£'000
Revenue		
Aggregate rentals receivable from operating lease contracts	**1,524,020**	1,357,879
Interest receivable on finance lease agreements	**21,103**	12,687
Interest receivable on contract purchase agreements	**2,764**	2,283
Interest receivable on credit sale agreements	**90**	229
Fleet management fees	**7,966**	6,430
Proceeds from disposal of property, plant and equipment	**830,942**	875,481
Other revenue	**25,866**	19,427
	2,412,751	2,274,416
Direct costs		
Depreciation and impairment on owned vehicles leased to customer (see note 11)	**1,120,068**	904,822
Cost of sale on disposal of Property, plant and equipment	**802,089**	821,036
Impairment of Loans and advances to customers (see note 5)	**67**	(146)
Impairment of Trade receivables (see note 5)	**4,299**	3,027
Other costs	**164,940**	132,200
	2,091,463	1,860,939
Other operating expenses		
Staff costs (see note 6)	**41,912**	42,968
Depreciation on freehold land and buildings (see note 11)	**312**	312
Amortisation of Intangible assets (see note 12)	**1,282**	1,578
Auditors remuneration - Audit of Company financial statements	**117**	141
Other costs	**68,503**	89,527
	112,126	134,526

Included within Aggregate rentals receivable from operating lease contracts is revenue recognised that was included in the vehicle maintenance agreements contract liability balance at the beginning of the period of £25,312,000 (2023: £29,035,000).

Note 4. Net interest expense

	2024	2023
	£'000	£'000
Interest expense on intercompany borrowings	**(219,797)**	(154,483)

Note 5. Credit impairment losses

	Stage 1	**Stage 2**	**Stage 3**	**Total**
31 December 2024	**£'000**	**£'000**	**£'000**	**£'000**
Trade receivables	**—**	**—**	**4,299**	**4,299**
Loans and advances to customers	**67**	**—**	**—**	**67**
	67	**—**	**4,299**	**4,366**

	Stage 1	Stage 2	Stage 3	Total
31 December 2023	£'000	£'000	£'000	£'000
Trade receivables	—	(1,430)	4,457	3,027
Loans and advances to customers	(146)	—	—	(146)
	(146)	(1,430)	4,457	2,881

Note 6. Staff costs

	2024	2023
	£'000	£'000
Wages and salaries	**33,206**	33,602
Social security costs	**3,479**	3,475
Share based payments	**500**	1,025
Pension costs	**4,727**	4,866
	41,912	42,968

The Company has no direct employees. The staff costs disclosed above were paid in respect of employees directly allocated to the Company from other group companies. The average monthly number of allocated employees during the year was 712 (2023: 784). Whilst all staff contracts of service are with Lloyds Bank Asset Finance Limited, these employees are involved directly in the day to day operations of the Company and therefore 100% of associated costs are allocated. All staff are located in the United Kingdom and provide management, administration and sales support.

The above staff costs do not include any employees who are considered part of Group central functions including finance, tax, human resources and legal, whose costs are recharged on a proportional basis, as per the cost allocation model, and whose costs are therefore included as part of operating expenses shown in note 3.

The Company participates in various defined benefit and defined contribution pension schemes operated by companies within the Group. The Company's ultimate parent company operates a number of group wide, equity settled, share based compensation plans and share based payment schemes. Further details in respect of the schemes can be found in the 2024 financial statements of the Company's ultimate parent undertaking, copies of which may be obtained from the Group Secretariat, Lloyds Banking Group plc, 25 Gresham Street, London, EC2V 7HN. The Lloyds Banking Group plc financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Note 7. Directors' emoluments

The Directors' emoluments payable for services provided to the Company are set out below:

	2024	2023
	£'000	£'000
Aggregate emoluments	**500**	529
Aggregate post-employment benefits	**24**	19
	524	548
Highest paid director:		
Aggregate emoluments	**347**	405

The amounts reported above are an allocation of a proportion of the Directors' total remuneration insofar as it relates to qualifying services for their role as a director of the Company.

During the year, retirement benefits were accruing to four Directors (2023: four Directors) in respect of defined contribution schemes. Two Directors accrued benefits under a defined benefit scheme (2023: two Directors). Four Directors received shares in Lloyds Banking Group plc under long term incentive plans during the year (2023: five Directors). No Directors exercised share options in the ultimate parent company during the year (2023: none).

During the year two Directors leased or purchased a vehicle from the Company (2023: three Directors). The number and total amount of the outstanding loans to Directors, officers and connected persons as at 31 December 2024 was £nil (2023: £nil).

No Directors (2023: none) consider that their services to the Company are incidental to their responsibilities within the Group. £nil compensation was received by the Directors for loss of office (2023: £9,000).

Note 8. Taxation

a) Analysis of (credit)/ charge for the year

	2024	2023
	£'000	£'000
UK corporation tax:		
- Current tax on taxable loss/(profit) for the year	**1,610**	(10,600)
- Adjustments in respect of prior years	**(325)**	336
Current tax charge/ (credit)	**1,285**	(10,264)
UK deferred tax:		
- Origination and reversal of timing differences	**(4,158)**	39,928
- Due to change in UK corporation tax rate	**—**	2,549
- Adjustments in respect of prior years	**147**	(442)
Deferred tax (credit)/ charge (see note 16)	**(4,011)**	42,035
Tax (credit)/ charge	**(2,726)**	31,771

Corporation tax is calculated at a rate of 25.00% (2023: 23.50%) of the taxable profit for the year.

b) Factors affecting the tax (credit)/ charge for the year

A reconciliation of the (credit)/ charge that would result from applying the standard UK corporation tax rate to the (Loss)/Profit before tax to the actual tax (credit)/ charge for the year is given below:

	2024	2023
	£'000	£'000
(Loss)/Profit before tax	**(10,635)**	124,468
Tax (credit)/charge thereon at UK corporation tax rate of 25.00% (2023: 23.50%)	**(2,659)**	29,250
Factors affecting (credit)/charge:		
- Due to change in UK corporation tax rate		2,549
- Disallowed and non-taxable items	**110**	78
- Adjustments in respect of prior years	**(177)**	(106)
Tax (credit)/ charge on profit on ordinary activities	**(2,726)**	31,771
Effective rate	**25.63%**	25.53%

The Company has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar 2 income taxes currently required by IAS12 Income Taxes. No provision for Pillar 2 current tax is required in respect of this period.

Note 9. Trade and other receivables

	2024	2023
	£'000	£'000
Trade receivables	**232,098**	228,150
Prepayments and accrued income	**26,246**	22,203
Other debtors	**54,178**	58,027
	312,522	308,380

Trade receivables of £6,958,000 (2023: £10,047,000) were considered to be impaired and have been provided for, reflecting the lifetime expected credit losses.

Note 10. Loans and advances to customers

Note 10.1. Loans and advances to customers - maturity

	2024	2023
	£'000	£'000
Advances under finance lease and hire purchase contracts	**285,563**	221,860
Amounts receivable on credit sales agreements	**435**	1,148
Other loans and advances to customers	**26,824**	20,632
Gross loans and advances to customers	**312,822**	243,640
Less: allowances for losses on loans and advances	**(524)**	(457)
Net loans and advances to customers	**312,298**	243,183
of which:		
Due within one year	**212,637**	137,989
Due after one year	**99,661**	105,194
	312,298	243,183

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

	2024	2023
	£'000	£'000
Gross investment in finance lease and hire purchase contracts receivable:		
- no later than one year	**211,268**	124,888
- later than one year and no later than two years	**58,582**	53,621
- later than two years and no later than three years	**30,375**	19,966
- later than three years and no later than four years	**17,002**	25,948
- later than four years and no later than five years	**5,524**	21,151
- later than five years	**244**	695
	322,995	246,269
Unearned future finance income on finance lease and hire purchase contracts	**(37,432)**	(24,409)
Net investment in finance lease and hire purchase contracts	**285,563**	221,860

Note 10. Loans and advances to customers (continued)

Note 10.1. Loans and advances to customers - maturity (continued)

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

	2024	2023
	£'000	£'000
- no later than one year	**193,937**	120,987
- later than one year and no later than two years	**49,311**	47,343
- later than two years and no later than three years	**24,506**	16,432
- later than three years and no later than four years	**13,322**	20,104
- later than four years and no later than five years	**4,292**	16,420
- later than five years	**195**	574
	285,563	221,860

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 5 years. Further analysis of Loans and advances to customers is provided in note 20.

During the year, no contingent rentals in respect of finance leases were recognised in the Statement of comprehensive income (2023: £nil) and there is no allowance for uncollectable minimum lease payments receivable (2023: £nil).

Note 10.2. Loans and advances to customers - movement over time

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January 2024	**243,498**	**57**	**85**	**243,640**
Transfers to Stage 2	**(237)**	**237**	**—**	**—**
Net increase/(decrease) in loans and advances to customers	**69,314**	**(136)**	**4**	**69,182**
Gross loans and advances to customers at 31 December 2024	**312,575**	**158**	**89**	**312,822**
Less: allowances for losses on loans and advances	**(524)**	**—**	**—**	**(524)**
Net loans and advances to customers at 31 December 2024	**312,051**	**158**	**89**	**312,298**

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2023	202,092	15	127	202,234
Transfers to Stage 2	(42)	42	—	—
Net increase/(decrease) in loans and advances to customers	41,448	—	(42)	41,406
Gross loans and advances to customers at 31 December 2023	243,498	57	85	243,640
Less: allowances for losses on loans and advances	(457)	—	—	(457)
Net loans and advances to customers at 31 December 2023	243,041	57	85	243,183

Note 11. Property, plant and equipment

	Freehold land and buildings	Owned vehicles not leased to customers	Owned vehicles leased to customers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2023	10,917	57,514	6,631,816	6,700,247
Additions	—	19,606	2,372,376	2,391,982
Disposals	—	—	(1,546,231)	(1,546,231)
Transfers to Owned vehicles leased to customers	—	(57,514)	57,514	—
At 31 December 2023	10,917	19,606	7,515,475	7,545,998
Additions	**—**	**4,804**	**2,229,368**	**2,234,172**
Disposals	**—**	**—**	**(1,666,151)**	**(1,666,151)**
Transfers to Owned vehicles leased to customers	**—**	**(19,606)**	**19,606**	**—**
At 31 December 2024	**10,917**	**4,804**	**8,098,298**	**8,114,019**
Accumulated depreciation and impairment				
At 1 January 2023	1,224	—	1,900,102	1,901,326
Depreciation charge for the year	312	—	662,546	662,858
Disposals	—	—	(703,752)	(703,752)
Impairment charge	—	—	242,277	242,277
At 31 December 2023	1,536	—	2,101,173	2,102,709
Depreciation charge for the year	**312**	**—**	**1,167,116**	**1,167,428**
Disposals	**—**	**—**	**(838,747)**	**(838,747)**
Impairment credit	**—**	**—**	**(47,048)**	**(47,048)**
At 31 December 2024	**1,848**	**—**	**2,382,494**	**2,384,342**
Balance sheet amount at 31 December 2024	**9,069**	**4,804**	**5,715,804**	**5,729,677**
Balance sheet amount at 31 December 2023	9,381	19,606	5,414,302	5,443,289

Impairment charges are calculated in accordance with the accounting policy described in note 1.8.

At 31 December 2024 the future minimum rentals receivable under non-cancellable operating leases were as follows:

	2024	2023
	£'000	£'000
Receivable within one year	**1,201,326**	1,050,083
Receivable between two to five years	**1,525,379**	1,387,284
Receivable later than five years	**6,096**	2,317
	2,732,801	2,439,684

Note 12. Intangible assets

	Capitalised software £'000
Cost	
As at 1 January 2023	12,324
Disposals and write offs	(4,076)
As at 31 December 2023	8,248
Additions	**4,526**
Disposals and write offs	**(3,019)**
At 31 December 2024	**9,755**
Amortisation	
At 1 January 2023	9,317
Charge for the year (see note 3)	1,578
Disposals and write offs	(4,076)
At 31 December 2023	6,819
Charge for the year (see note 3)	**1,282**
Disposals and write offs	**(3,019)**
At 31 December 2024	5,082
Balance sheet amount at 31 December 2024	**4,673**
Balance sheet amount at 31 December 2023	1,429

The Company's Intangible assets relate to Software enhancement costs, see note 1.9 for further detail.

Note 13. Borrowed funds

	2024 £'000	2023 £'000
Amounts due to Group undertakings (see note 19)	**5,835,102**	5,414,380

Amounts due to Lloyds Bank plc of £609,082,000 (2023: £887,589,000) are interest-bearing at variable rates. These balances are unsecured and repayable on demand, although there is no expectation that such a demand would be made.

Amounts due to Lloyds Bank plc of £5,224,841,000 (2023: £4,526,792,000) are unsecured and interest bearing at fixed rates of which £1,865,358,000 (2023: £1,535,687,000) is repayable within one year and £3,359,483,000 (2023: 2,991,104,000) is repayable in more than one year.

The remaining balances due to Other Group undertakings are unsecured, repayable on demand and non-interest bearing.

Note 14. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	**21,854**	15,456
Other tax and social security payable	**22,178**	—
Accruals and deferred income	**340,259**	416,689
	384,291	432,145

Accruals and deferred income include £132,750,000 which is due after more than one year (2023: £121,474,000). Accruals and deferred income includes deferred income amounts held in respect of future maintenance obligations of £55,573,000 (2023: £50,551,000). The Company expects to to recognise £30,782,000 of this deferred income as revenue within one year (2023: £31,199,000).

Note 15. Provision for liabilities and charges

	Under-mileage provision £'000
As at 1 January 2023	49,378
Charge for the year	13,392
Utilised during the year	(22,818)
As at 31 December 2023	39,952
Charge for the year	**19,621**
Utilised during the year	**(19,725)**
As at 31 December 2024	**39,848**

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.

The Company has recognised certain provisions in respect of amounts contractually payable to customers for under-mileage, in respect of its lease agreements. The provision is continually assessed using the most readily available mileage information for live lease agreements and is an estimate of the likely future outflows. The provision is utilised when rebates are made to customers in line with their lease agreements.

Estimates of the timing of the outflows are based on contract term. The average term of contracts added in 2024 was 4.5 years (2023: 3.8 years) with a range of terms from 9 months to 10.3 years (2023: 6 months to 8 years).

Note 16. Deferred tax asset

The movement in the deferred tax asset is as follows:

	2024 £'000	2023 £'000
Brought forward	**58,385**	100,420
Credit/ (Charge) for the year (see note 8)	**4,011**	(42,035)
	62,396	58,385

The deferred tax credit/ (charge) in the Statement of comprehensive income comprises the following temporary differences:

	2024 £'000	2023 £'000
Accelerated capital allowances	**4,011**	(42,035)
	4,011	(42,035)

Deferred tax asset comprises:

	2024 £'000	2023 £'000
Accelerated capital allowances	**62,396**	58,385
	62,396	58,385

At the Balance sheet date, a deferred tax asset of £62,396,000 has been recognised (2023: £58,385,000) based on the expectation that the Company will be able to benefit from group relief with connected companies.

Note 17. Dividends

No dividends were paid or proposed during the year (2023: £439,000,000).

Note 18. Share capital

	2024	2023
	£'000	£'000
Allotted, issued and fully paid		
5,963,379 ordinary shares of £1 each	**5,963**	5,963

The Company's parent manages the Company's capital structure and makes adjustments as a result of changes in economic conditions and the risk characteristics of the underlying assets.

Note 19. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include loan, fee and lease transactions. A summary of the outstanding balances at the year end and the related income and expense for the year is set out below.

	2024	2023
	£'000	£'000
Cash and cash equivalents held with Group undertakings		
Lloyds Bank plc	**55,974**	46,178
Amounts due to Group undertakings		
Lloyds Bank plc	**5,833,935**	5,413,733
Other Group Undertakings	**1,167**	647
Total Amounts due to Group undertakings (see note 13)	**5,835,102**	5,414,380
Revenue with related parties		
Lloyds Bank plc	**26,568**	18,872
Bank of Scotland plc	**76**	1,594
Lloyds Bank Commercial Finance Limited	**—**	49
Total revenue with related parties	**26,644**	20,515
Other operating expenses		
Lloyds Bank plc	**53,521**	59,082
Interest expense		
Lloyds Bank plc (see note 4)	**219,797**	154,483
Dividend paid		
ACL Autolease (Holdings) Limited (See note 17)	**—**	439,000

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

The amounts reported in Revenue reflect the rentals paid to the Company in respect of leases taken out by Group companies for use in their operational activities. The amounts reported in Other operating expenses relate to central costs recharged by the Group to the Company in respect of Group central functions, capital expenditure and ancillary costs.

Note 19. Related party transactions (continued)

Vehicles Purchased from Related Parties

The Company purchased vehicles from Tuskerdirect Limited during 2024..

	£'000
Vehicles purchased from Tuskerdirect Limited	**3,169**

All vehicles were purchased based on a clean Car Auction Price ("CAP"), a widely used industry benchmark trade price guide for used vehicle in very good condition and ready for retail with minimal preparation. All vehicles were purchased on an arm's length basis.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, which is determined to be the Company's Directors and members of the Lloyds Banking Group plc Board. Members of the Lloyds Banking Group plc Board are employed by other companies within the Lloyds Banking Group and consider that their services to the Company are incidental to their other responsibilities within the Group.

Other than as set out below, there were no transactions between the Company and key management personnel during the current or preceding year.

Key management personnel emoluments

	2024	2023
	£'000	£'000
Salaries and short term employee benefits	**817**	872
Post employment benefits	**24**	19
	841	891

Note 20. Financial risk management

The Company's operations expose it to credit risk, liquidity risk, market risk, interest rate risk and business risk; it is not exposed to any significant 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. The liquidity risk faced by the Company is in substance managed by other Group undertakings which fund the Company and credit risk is carefully monitored by the Retail Division's credit committee and credit functions. Interest rate risk is monitored and managed closely by the Group's Corporate Treasury Team. 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.

Note 20.1. Credit risk

Credit risk management

Credit risk is the risk that parties with whom the Company has contracted fail to meet their financial obligations (both on and off Balance sheet). Credit risk appetite is set at Board level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, which include the use of various credit risk rating systems as inputs and assess credit risk at a counterparty level.

Amounts due from other group undertakings are held with other companies within the Group. The credit risk associated with these financial assets is not considered to be significant as these balances are supported by the Group Letter of support.

Credit risk mitigation

Prudent credit principles, risk policies and appetite statements: The independent Risk division sets out the credit principles, credit risk policies and credit risk appetite statements. Credit principles, risk policies and appetite statements are subject to regular review and governance, with any changes subject to an approval process.

Lending criteria: The Company uses a variety of lending criteria when assessing applications for unsecured lending. The general approval process uses credit acceptance scorecards and involves a review of an applicant's previous credit history using internal data and information held by Credit Reference Agencies. The Company also assesses the affordability and sustainability of lending for each borrower. Affordability assessments for all lending are compliant with relevant regulatory and conduct guidelines. The Company takes reasonable steps to validate information used in the assessment of a customer's income and expenditure.

Note 20. Financial risk management (continued)

Note 20.1. Credit risk (continued)

Credit risk mitigation (continued)

Stress testing: The Company's credit portfolios are subject to regular stress testing.

Limitations on concentration risk: there are portfolio controls on certain industries, sectors and products to reflect risk appetite as well as individual, customer and bank limit risk tolerances. Credit policies, appetite statements and mandates are aligned to the Group's risk appetite and restrict exposure to higher risk countries and potentially vulnerable sectors and asset classes. Exposures are monitored to prevent both an excessive concentration of risk and single name concentrations. These concentration risk controls are not necessarily in the form of a maximum limit on exposure, but may instead require new business in concentrated sectors to fulfil additional minimum policy and/or guideline requirements.

Credit concentration

The Company lends to customers geographically located in the United Kingdom.

Gross financial assets subject to credit risk

The maximum credit risk exposure of the Company in the event of other parties failing to perform their obligations are detailed below.

	2024	2023
	£'000	£'000
Trade receivables	**232,406**	232,583
Loans and advances to customers	**312,822**	243,640
	545,228	476,223

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 PD's, that have been applied, include forward-looking information and are based on 12 month values, with the exception of credit impaired.

At 31 December 2024		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	PD Range	**£'000**	**£'000**	**£'000**	**£'000**
CMS 1-10	0.00-0.50%	**27,299**	**—**	**—**	**27,299**
CMS 11-14	0.51-3.00%	**101,009**	**52**	**—**	**101,061**
CMS 15-18	3.01-20.00%	**184,009**	**—**	**—**	**184,009**
CMS 19	20.01-99.99%	**258**	**106**	**—**	**364**
CMS 20-23	100%	**—**	**—**	**89**	**89**
Total		**312,575**	**158**	**89**	**312,822**

At 31 December 2023		Stage 1	Stage 2	Stage 3	Total
	PD Range	£'000	£'000	£'000	£'000
CMS 1-10	0.00-0.50%	13,353	—	—	13,353
CMS 11-14	0.51-3.00%	52,753	—	—	52,753
CMS 15-18	3.01-20.00%	177,379	—	—	177,379
CMS 19	20.01-99.99%	13	57	—	70
CMS 20-23	100%	—	—	85	85
Total		243,498	57	85	243,640

Note 20. Financial risk management (continued)

Note 20.1. 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**
At 1 January 2024	**457**	**—**	**4,433**	**4,890**
Charge for the year (including recoveries)	**67**	**—**	**4,299**	**4,366**
Advances written off	**—**	**—**	**(2,934)**	**(2,934)**
At 31 December 2024	**524**	**—**	**5,798**	**6,322**

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Trade receivables	**—**	**—**	**5,798**	**5,798**
Loans and advances to customers	**524**	**—**	**—**	**524**
At 31 December 2024	**524**	**—**	**5,798**	**6,322**

In respect of drawn balances	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
At 1 January 2023	603	1,430	6,365	8,398
Charge for the year (including recoveries)	(146)	(1,430)	4,457	2,881
Advances written off	—	—	(6,389)	(6,389)
At 31 December 2023	457	—	4,433	4,890

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Trade receivables	—	—	4,433	4,433
Loans and advances to customers	457	—	—	457
At 31 December 2023	457	—	4,433	4,890

Note 20. Financial risk management (continued)

Note 20.2. 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.

Note 20.3. Market risk

Market risk is the risk surrounding the market factors that management has applied in estimating the anticipated residual values of Property, plant and equipment and residual values of finance lease agreements (where the Company retains title of the asset), differ from actual trends. The Company is exposed to fluctuations in the value of second hand motor vehicles.

The Company's activities expose it to movement in the used values of motor vehicles as the sale proceeds arising from the disposal of returned vehicles are important to the profitability of the Company. Residual values, which are set at lease inception, are determined by reference to the latest available industry data and are subject to regular review by the Company's Pricing Committee, which comprises members of the management team with significant industry experience. Thereafter, residual values are subject to regular review by reference to independent market value data and the prevailing economic conditions (see note 1.4 and note 2).

Note 20.4. Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely due to timing differences between the repricing of financial assets and liabilities.

Interest income on the Company's Loans and advances to customers is fixed, therefore a movement in interest rates will not immediately effect the return on the portfolio.

Amounts due to Group undertakings include amounts that are interest bearing at fixed rates for funding of long term loans and advances and long term operating lease agreements, and variable rates for other borrowings.

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 SONIA rate which is the basis for the interest rate on these balances. A 0.49% (2023: 1.76%) increase or decrease is used to assess the possible change in interest expense. This rate is appropriate as this is the actual movement in the SONIA rate across the year.

If SONIA increased by 0.49% (2023: 1.76%) and all other variables remain constant this would increase Interest expense by £3,914,000 (2023: £21,579,000). If SONIA decreased by 0.49% and all other variables remain constant this would decrease Interest expense by £3,914,000 (2023: £21,579,000).

Note 20.5. 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.

Note 20.6. Financial strategy

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

Note 20.7. 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 3 in the valuation hierarchy due to significant unobservable inputs used in the valuation models.

The aggregated fair value of Loans and advances to customers is approximately £307,878,000 (2023: £226,822,000).

The carrying value of all other financial assets and liabilities is considered an approximation of fair value.

Note 21. Capital disclosures

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern whilst not holding an excessive level of capital relative to the level of risk.

The Board of Directors manages the Company's capital in line with policy set by the Company's ultimate parent. The policy guides the Board of Directors to consider changes in economic conditions and the risk characteristics of the Company's Balance Sheet when determining the amount of capital the Company should have. In order to adjust the Company's capital the Board of Directors may adjust the amount of dividends to be paid to shareholders or issue new shares. It can also take actions to adjust the risk characteristics of the Company's Balance Sheet, for example by selling assets.

The Company's capital includes all components of its equity, movements in which appear in the Statement of changes in equity. The Company does not raise capital from sources external to the Group.

Note 22. Contingent liabilities and capital commitments

The Company has commitments to acquire motor vehicles with a cost of £574,995,000 to satisfy customer orders at 31 December 2024 (2023: £1,038,404,000).

As detailed in the Directors' report it is the intention of Lloyds Bank plc to continue to provide support to the Company if required.

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 2020, HMRC concluded its enquiry into the matter and issued a closure notice denying the group relief claim. The Group appealed to the First Tier Tax Tribunal. The hearing took place in May 2023. In January 2025, the First Tier Tribunal concluded in favour of HMRC. The Group believes it has applied the rules correctly and that the claim for group relief is correct. Having reviewed the Tribunal's conclusions and having taken appropriate advice the Group intends to appeal the decision and does not consider this to be a case where an additional tax liability will ultimately fall due. If the final determination of the matter by the judicial process is that HMRC's position is correct, management believes that this would result in an increase in the Company's current tax liabilities of approximately £142,000,000 (including interest). It is unlikely that any appeal hearing will be held before 2026, and final conclusion of the judicial process may not be for several years.

Note 23. Events after the reporting date

There were no material post Balance sheet events.

Note 24. Future developments

There are a number of new accounting pronouncements issued by the IASB with an effective date of 1 January 2027. This includes IFRS 18 Presentation and Disclosure in Financial Statements which replaces IAS 1 Presentation of Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The impact of these standards are being assessed and they have not been endorsed for use in the UK.

The IASB has issued its annual improvements and a number of minor amendments to IFRS Accounting Standards effective date on or after 1 January 2025, including IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosure and IAS 21 The Effects of Changes in Foreign Exchange Rates. These improvements and amendments are not expected to have a significant impact on the Company.

Note 25. Ultimate parent undertaking and controlling party

The immediate parent company is ACL Autolease Holdings Limited (incorporated in England and Wales). The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc (incorporated in Scotland), which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the financial statements of both companies may be obtained from Group Secretariat, Lloyds Banking Group, 33 Old Broad Street, London, EC2N 1HZ. Lloyds Banking Group plc's financial statements may be downloaded via https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent auditor’s report to the members of Lex Autolease Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lex Autolease Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 December 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB..

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Comparing the maturity profile of cash inflows from operating leases to cash outflows for funding liabilities;
- Evaluating the risk related to loss on disposal and volatility of market prices for used cars; and
- Consideration of the availability of funding and financial support from within the Lloyds Banking Group plc group to fund the existing assets and new business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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 auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements, for example, the Companies Act 2006; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included Financial Conduct Authority (FCA) regulation.

We discussed among the audit engagement team including relevant internal specialists such as tax, IT and credit specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- The risk that battery electric vehicle ("BEV") overlay applied by management to reflect the uncertainty in used BEV residual values within impairment calculations might not be appropriate and/or not reliably measured. Our work included:
- Identified risks inherent in the future BEV market, drawing parallels with those identified by management in their determination of the BEV overlay.
- Considered whether the risks inherent in the BEV market are similar to those present in the ICE market, rationalising the application of a consistent view that volatility overlays are no longer required.
- The risk that the non-electric vehicle volatility overlay applied by management to reflect risk in the used car residual values within impairment calculations might not be appropriate and/or reliably measured due to bias or error. Our work included:
- Assessed the historical movements in both the new and used Internal Combustion Engine ("ICE") markets to determine the possible future market outlook, identifying risk factors around demand and supply side of the market and assessing whether any factors suggest that there is a risk that RVs might fall below the long term trend.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and correspondence with the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Taylor

Mark Taylor, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

30 June 2025