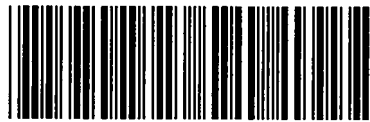


# **A.C.L. Limited**

Registered number 00744977

## **Report and financial statements for the year ended 31 March 2016**

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COMPANIES HOUSE

Member of Lloyds Banking Group

# A.C.L. Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Pages</i>
Directors and company information	1
Strategic report	2
Directors' report	3 - 4
Independent auditors' report to the member of A.C.L. Limited	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11 - 20

# **A.C.L. Limited**

## **Directors and company information**

### **Current directors**

A J Hartley  
C A Parkes  
T R Porter

### **Company secretary**

D D Hennessey

### **Registered office**

25 Gresham Street  
London  
EC2V 7HN

### **Independent auditors**

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

# A.C.L. Limited

## Strategic report for the year ended 31 March 2016

The directors present their Strategic report of A.C.L. Limited (the "Company") for the year ended 31 March 2016.

### Principal activities

The Company is a limited liability company registered, incorporated and domiciled in England and Wales. The principal activity of the Company is vehicle contract hire.

During the year, the Company was party to an undisclosed agency agreement with Lex Autolease Limited, a fellow subsidiary company within Lloyds Banking Group plc (the "Group"). Lex Autolease Limited acted as an agent and provided agency services in return for an annual management fee charged to the Company. Services provided by the agent included seeking new business, negotiating and agreeing terms of and arranging the execution of all lease documents on behalf of the Company. The agent maintained accurate accounting and other records, including settlement of all customer and supplier invoices relating to services. The business is funded by the agent, which is ultimately funded by the Group. On 31 July 2015, this agency agreement was terminated.

During the year, the Company was also party to an undisclosed agency agreement with HVF Limited, a fellow subsidiary company. HVF Limited acted as an agent and provided new business to the Company. On 31 July 2015, this agency agreement was terminated.

### Review of business and future prospects after 31 July 2015

Under the terms of the agency agreements referred to above, during the year, the Company has entered into contract hire agreements introduced by fellow subsidiary companies. Since these agreements were administered by Lex Autolease Limited, the Company does not employ any staff.

On 1 August 2015, the Company transferred its operating lease assets and associated balances at net book value to Lex Autolease Limited. Further to the termination of the agency agreements, and the disposal of the Company's operating lease book, no new business has been written by the Company after 31 July 2015 and the Company is expected to eventually become dormant.

### Development and performance

The profit for the year before taxation amounted to £20,242,000 (2015: profit before taxation of £55,373,000). The reduction in profit before taxation is due to the transfer of the operating lease business to Lex Autolease Limited in August 2015.

A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Lloyds Banking Group, which ceased trading on 31 December 2010. Further details can be found in note 17.

### Key performance indicators ('KPIs')

The directors of the Group manage the Group's operations on a divisional basis. At year end, the Company was included within the Consumer Finance Division.


The closing fleet size decreased from 65,395 vehicles at 31 March 2015 to nil vehicles. Up to 31 July 2015, the Company has written new business of £20,951,000 (2015: £334,576,000), offset by disposals with an original cost of £85,288,000 (2015: £234,122,000), which generated a profit on disposal of £4,454,000 (2015: profit of £10,759,000).

Further to the disposal of the Company's operating lease book to another Group company in the year, further KPIs are not considered necessary.

### Financial risk management

Responsibility for the control of overall risk within the Company lies with the board of directors. Further information on the risks facing the Company and the control over these risks can be found in note 2.

On behalf of the Board



C A Parkes  
Director

Date 21 December 2016

# A.C.L. Limited

## Directors' report for the year ended 31 March 2016

The directors present their report together with the audited financial statements of A.C.L. Limited (the "Company") for the year ended 31 March 2016.

### Directors and secretary

The names of the directors and secretary of the Company who held office at the date of signing these financial statements are shown on page 1. The following directors and secretaries were either appointed or resigned during the year or after the year end:

S J Campbell	Resigned 30 September 2015
A J Hartley	Appointed 11 August 2016
P Gittins (secretary)	Resigned 11 August 2016
D D Hennessey (secretary)	Appointed 11 August 2016

### Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company (including the former director who resigned during the year) a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year, or from the date of appointment in respect of the director who joined the board of the Company after the financial year, and at the date of approval of the financial statements. 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 contract of indemnity during that period of service. The indemnity remains in force for the duration of a director's period of office. The deed indemnifies the directors to the maximum extent permitted by law.

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

### Dividend

The Company did not pay a dividend during the year (2015: £23,000,000).

### Statement of directors' responsibilities

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

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Financial risk management

Financial risk management is discussed in the Strategic report and in note 2.

# A.C.L. Limited

## Directors' report for the year ended 31 March 2016 (*continued*)

### Disclosure of information to auditors

Each director in office at the date of this report confirms that:

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

### Independent auditors

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

On behalf of the Board



**C A Parkes**  
Director

Date: 21 December 2016

Registered Office:  
25 Gresham Street  
London  
EC2V 7HN

# **A.C.L. Limited**

## **Independent auditors' report to the member of A.C.L. Limited**

### **Report on the financial statements**

#### **Our opinion**

In our opinion A.C.L. Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 31 March 2016;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

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

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

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

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

## A.C.L. Limited

### Independent auditors' report to the member of A.C.L. Limited (*continued*)

#### Responsibilities for the financial statements and the audit

##### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

##### What an audit of financial statements involves

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

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

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

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

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



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

One Kingsway  
Cardiff  
CF10 3PW

Date: 21 December 2016



# A.C.L. Limited

## Statement of comprehensive income

for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	4	137,786	394,398
Direct costs	4	(111,074)	(322,371)
<b>Gross profit</b>		<b>26,712</b>	<b>72,027</b>
Administrative expenses	4	(4,465)	(10,718)
<b>Operating profit</b>		<b>22,247</b>	<b>61,309</b>
Finance costs	5	(2,005)	(5,936)
<b>Profit before tax</b>		<b>20,242</b>	<b>55,373</b>
Taxation	6	(6,369)	(10,934)
<b>Profit for the year attributable to owner, being total comprehensive income</b>		<b>13,873</b>	<b>44,439</b>
		=====	=====

The profit shown above was derived from operations which were discontinued on 1 August 2015.

The accompanying notes on pages 11 to 20 are an integral part of these financial statements.

# A.C.L. Limited

## Balance sheet

as at 31 March 2016

	Note	2016 £'000	2015 £'000
<b>ASSETS</b>			
Property, plant and equipment	8	-	785,293
Deferred tax assets	11	-	49,661
<b>Total non-current assets</b>		-	834,954
Trade and other receivables	7	67,303	5,248
<b>Total current assets</b>		67,303	5,248
<b>Total assets</b>		67,303 =====	840,202 =====
<b>LIABILITIES</b>			
Borrowings	9	-	702,869
Trade and other payables	10	-	45,264
Current tax liability		765	39,404
<b>Total liabilities</b>		765	787,537
<b>EQUITY</b>			
Share capital	13	100	100
Retained earnings		66,438	52,565
<b>Total equity</b>		66,538	52,665
<b>Total equity and liabilities</b>		67,303 =====	840,202 =====

The financial statements on pages 7 to 20 were approved by the board of directors on

21/12/2016

and were signed on its behalf by:

*C A Parkes*

**C A Parkes**  
Director

The accompanying notes on pages 11 to 20 are an integral part of these financial statements.

# A.C.L. Limited

## Statement of changes in equity

for the year ended 31 March 2016

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>At 1 April 2014</b>		100	31,126	31,226
Profit and total comprehensive income for the year		-	44,439	44,439
Dividends paid during the year	14	-	(23,000)	(23,000)
<b>At 31 March 2015</b>		100	52,565	52,665
Profit and total comprehensive income for the year		-	13,873	13,873
<b>At 31 March 2016</b>		100	66,438	66,538

The accompanying notes on pages 11 to 20 are an integral part of these financial statements.

# A.C.L. Limited

## Cash flow statement

for the year ended 31 March 2016

	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	20,242	55,373
Adjustments for:		
- Interest payable	2,005	5,936
- Depreciation	63,933	179,571
- Cost of sale on disposal of property, plant and equipment	34,982	110,525
Changes in operating assets and liabilities:		
- Decrease/(increase) in trade and other receivables	2,809	(592)
- (Decrease)/increase in trade and other payables	(3,701)	266
Cash generated from operations	120,270	351,079
Interest paid	(2,005)	(5,936)
Taxation paid	(42,348)	(31,971)
Net cash generated from operating activities	75,917	313,172
<b>Cash flows from investing activities</b>		
Proceeds from transfer of trade and assets to another group company	715,206	-
Purchase of property, plant and equipment	(20,951)	(334,576)
Net cash generated from/(used in) investing activities	694,255	(334,576)
<b>Cash flows from financing activities</b>		
(Repayment of)/proceeds from intercompany borrowed and lent funds	(770,172)	44,404
Equity dividends paid	-	(23,000)
Net cash (used in)/generated from financing activities	(770,172)	21,404
<b>Net change in cash and cash equivalents</b>	-	-
Cash and cash equivalents at start of year	-	-
<b>Cash and cash equivalents at end of year</b>	-	-

The accompanying notes on pages 11 to 20 are an integral part of these financial statements.

## Notes to the financial statements

for the year ended 31 March 2016

### 1 Accounting policies

#### 1.1 Basis of preparation

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

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

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

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 March 2016 and which have not been applied in preparing these financial statements are given in note 16. No standards have been early adopted.

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

#### Going concern

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

#### 1.2 Revenue

Revenue substantially comprises income earned from operating lease services rendered to customers, which is credited to the statement of comprehensive income on a straight line basis, and 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.

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

#### 1.3 Property, plant and equipment

Under the terms of the agreements between the Company and the agents, the Company bears substantially all of the risks and rewards associated with assets arising as a result of the underlying contract hire agreements. As such, these assets are reflected within these financial statements.

Vehicles leased to customers are stated at cost and depreciated to expected residual values on a straight line basis over the term of the lease, principally between 3 and 7 years.

#### 1.4 Equipment leased to customers

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 depreciation charge is adjusted prospectively. The maintenance element of the rental receivable is credited to a deferred income account and released to the statement of comprehensive income in line with the actual expenditure.

## Notes to the financial statements (*continued*)

for the year ended 31 March 2016

### 1 Accounting policies (*continued*)

#### 1.5 Financial assets and liabilities

Financial assets of the Company include trade and other receivables. Financial assets are initially measured at fair value plus transaction costs which are directly attributable to their acquisition.

Financial liabilities comprise amounts due to group undertakings and other payables. Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the trade and instrument. Financial liabilities are derecognised when the obligations to pay cash flows have expired. Interest bearing financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

#### 1.6 Impairment

##### *Property, plant and equipment*

Impairment of property, plant and equipment is assessed by comparing the net present value of expected future cash flows with the carrying value. Any impairment identified in this way is charged immediately to the statement of comprehensive income.

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. 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the provision is adjusted and the amount of the reversal is recognised in the statement of comprehensive income.

#### 1.7 Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date which are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

#### 1.8 Borrowing costs

Interest expense is recognised in the statement of comprehensive income in the period in which the charge arises.

#### 1.9 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

#### 1.10 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank less bank overdrafts.

#### 1.11 Dividends

Dividends are recognised in the period in which they are approved by the directors and paid to the shareholder.

## Notes to the financial statements (*continued*)

for the year ended 31 March 2016

### 2 Risk management policy

The Company's operations expose it to liquidity risk and interest rate risk; it is not exposed to any foreign exchange risks. Responsibility for the control of overall risk within the Company lies with the Board of Directors, operating within a managerial framework established by the intermediate parent, Lloyds Bank Asset Finance Limited, and the ultimate parent, Lloyds Banking Group plc. The interest rate and liquidity risk faced by the Company is in substance managed and borne by other group companies which provide funding to the Company and credit risk is carefully monitored by the Consumer Finance business unit credit committees and credit functions.

#### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. As a result of the agency agreement in place with Lex Autolease Limited, the credit risk associated with trade receivables is borne by Lex Autolease Limited and the Company is not exposed to this risk.

#### **Other risks**

The Company's activities expose it to movement in the values of used 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 as explained in note 3.

#### **Capital disclosures**

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, provide an adequate return to its shareholder through pricing products and services commensurately with the level of risk and, indirectly, to support the Group's regulatory capital requirements.

The Company's parent manages the Company's capital structure and advises the board of directors to consider making adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Board of Directors may adjust the amount of dividends to be paid to the shareholder, return capital to the shareholder, issue new shares, or sell assets.

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

The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

### 3 Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting 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.

#### *Impairment of assets*

The Company reviews the residual value of its operating lease assets on a quarterly basis 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 notes 1.4 and 1.6 above.

## Notes to the financial statements (*continued*)

for the year ended 31 March 2016

### 4 Operating profit

The following items have been included in arriving at operating profit:

	2016 £'000	2015 £'000
<b>Revenue</b>		
Aggregate rentals receivable from operating lease contracts	95,473	266,896
Fleet management fees	81	219
Other income	2,796	5,999
Proceeds from disposal of property, plant and equipment	39,436	121,284
	<u>137,786</u>	<u>394,398</u>
	=====	=====
<b>Expenses</b>		
<i>Direct costs</i>		
Cost of sale on disposal of property, plant and equipment	34,982	110,525
Depreciation of property, plant and equipment	63,933	179,571
Other direct costs	12,159	32,275
	<u>111,074</u>	<u>322,371</u>
	=====	=====
<i>Administrative expenses</i>		
Charges payable to fellow group company (note 15)	4,465	10,718
	<u>4,465</u>	<u>10,718</u>
	=====	=====

The Company did not directly employ any person during the year (2015: none). Accounting and administrative services were provided by Lex Autolease Limited, a fellow subsidiary undertaking.

Audit remuneration for audit services of £10,000 has been borne by a fellow group company in both years.

### 5 Finance costs

	2016 £'000	2015 £'000
Interest payable to fellow group company (note 15)	2,005	5,936
	<u>2,005</u>	<u>5,936</u>
	=====	=====



Notes to the financial statements (*continued*)

for the year ended 31 March 2016

## 6 Taxation

## a) Analysis of charge for the year

	2016 £'000	2015 £'000
UK corporation tax:		
- Current tax charge/(credit) on profit for the year	4,189	(2,944)
- Adjustments in respect of prior years	(480)	-
Current tax charge/(credit)	3,709	(2,944)
Deferred tax:		
- Origination and reversal of timing differences	(138)	14,572
- Adjustments in respect of prior years	324	-
- Due to change in UK corporation tax rate	2,474	(694)
Deferred tax charge (note 11)	2,660	13,878
Total tax charge	6,369	10,934

## b) Factors affecting the tax charge for the year

The tax assessed for the year is different than the average standard rate of corporation tax in the UK. The differences are explained below:

	2016 £'000	2015 £'000
Profit before taxation	20,242	55,373
Tax charge thereon at UK corporation tax rate of 20% (2015: 21%)	4,048	11,628
Factors affecting the charge:		
- UK corporation tax rate change and related impacts	2,474	(694)
- Disallowed items	3	-
- Adjustments in respect of prior years	(156)	-
Total tax charge for year (note 6(a))	6,369	10,934
Effective rate	31.5%	19.7%

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

## 7 Trade and other receivables

	2016 £'000	2015 £'000
Prepayments	-	5,248
Amounts due from group companies (note 15)	67,303	-
	67,303	5,248

As a result of the agency agreement with Lex Autolease Limited, the Company has no trade receivables. Lex Autolease Limited managed debt collection activities with external customers on behalf of the Company.

Notes to the financial statements (*continued*)

for the year ended 31 March 2016

## 8 Property, plant and equipment

	Vehicles leased to customers £'000
<b>Cost</b>	
At 1 April 2015	1,123,765
Additions	20,951
Disposals	(85,288)
Transfers to other group company	(1,059,428)
	-----
At 31 March 2016	-
	=====
<b>Accumulated depreciation</b>	
At 1 April 2015	338,472
Charge for the year	63,933
Disposals	(50,306)
Transfers to other group company	(352,099)
	-----
At 31 March 2016	-
	=====
<b>Net book amount at 31 March 2016</b>	-
	=====
<b>Net book amount at 31 March 2015</b>	785,293
	=====

	Vehicles leased to customers £'000
<b>Cost</b>	
At 1 April 2014	1,023,311
Additions	334,576
Disposals	(234,122)
	-----
At 31 March 2015	1,123,765
	=====
<b>Accumulated depreciation</b>	
At 1 April 2014	282,498
Charge for the year	179,571
Disposals	(123,597)
	-----
At 31 March 2015	338,472
	=====
<b>Net book amount at 31 March 2015</b>	785,293
	=====
<b>Net book amount at 31 March 2014</b>	740,813
	=====

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Not later than one year	-	237,498
Later than one year and not later than five years	-	294,271
Later than five years	-	920
	-----	-----
	-	532,689
	=====	=====

Notes to the financial statements (*continued*)

for the year ended 31 March 2016

## 9 Borrowings

	2016 £'000	2015 £'000
Borrowings from group companies (note 15)	- =====	702,869 =====

All borrowings are due within one year and are unsecured. Amounts due to Lex Autolease Limited are interest bearing. Interest rates charged during the year were between 0.89% and 0.95% (2015: 0.91% and 1.12%).

## 10 Trade and other payables

	2016 £'000	2015 £'000
Accruals and deferred income	- =====	45,264 =====

As a result of the agency agreement with Lex Autolease Limited, the Company has no trade payables. Lex Autolease Limited managed supplier payment activities on behalf of the Company.

Trade and other payables include £nil which is due after more than one year (2015: £22,763,000).

## 11 Deferred tax assets

The movement in the deferred tax asset is as follows:

	2016 £'000	2015 £'000
At 1 April	49,661	63,539
Charge to statement of comprehensive income (note 6 a))	(186)	(14,572)
Due to change in UK corporation tax rate and related impacts	(2,474)	694
Transfer to other group company	(47,001)	-
	-----	-----
At 31 March	- =====	49,661 =====

The deferred tax charge in the statement of comprehensive income comprises of the following temporary difference:

	2016 £'000	2015 £'000
Fixed asset temporary differences	(2,660) =====	(13,878) =====

The deferred tax asset at 31 March comprises:

	2016 £'000	2015 £'000
Fixed asset temporary differences	- =====	49,661 =====

Movements in deferred tax represent the origination and reversal of timing differences and transfers to another group company.

The Finance (No. 2) Act 2015 which was substantively enacted on 26 October 2015 reduced the main rate of corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. The Finance Act 2016, which was substantively enacted on 6 September 2016, further reduced the corporate tax rate to 17% with effect from 1 April 2020.

Notes to the financial statements (*continued*)

for the year ended 31 March 2016

## 12 Capital commitments

At 31 March 2016, the Company had placed orders for motor vehicles, in order to satisfy customer requirements, of £nil (2015: £19,306,000).

## 13 Share capital

	2016 £'000	2015 £'000
<b>Issued, allotted and fully paid</b>		
100,000 (2015: 100,000) ordinary shares of £1 each	100	100
	=====	=====

## 14 Dividends

No dividends were paid during the year. In the previous year a dividend of £23,000,000 at £230 per ordinary share was approved by the directors and paid to ACL Autolease Holdings Limited.

## 15 Related party transactions

The Company's immediate parent company is ACL Autolease Holdings Limited. The company regarded by the directors as the ultimate parent company and controlling party is Lloyds Banking Group plc, a limited liability company incorporated and domiciled in Scotland, which is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member. Lloyds Bank plc is the parent undertaking of the smallest such group of undertakings. Copies of the group financial statements of both may be obtained from the Company Secretary's Office, Lloyds Banking Group plc, 25 Gresham Street, London EC2V 7HN.

The Company's related parties include other companies within Lloyds Banking Group plc and the Company's key management personnel. A number of transactions are entered into with related parties in the normal course of business. The outstanding balances with related parties at the year end, and related income and expenses for the year are as follows:

	2016 £'000	2015 £'000
<b>Balances due from/(to) group companies:</b>		
Lex Autolease Limited	67,303	(702,869)
	=====	=====
The balances due from/(to) group companies comprise of operating and funding balances.		
	2016 £'000	2015 £'000
<b>Interest payable:</b>		
Lex Autolease Limited	2,005	5,936
	=====	=====
<b>Charges payable:</b>		
Lex Autolease Limited	4,465	10,718
	=====	=====
Charges payable comprise management fees.		
<b>Proceeds from disposal of assets:</b>		
Lex Autolease Limited	39,436	121,284
	=====	=====
<b>Proceeds from transfer of trade and assets:</b>		
Lex Autolease Limited	715,206	-
	=====	=====

Notes to the financial statements (*continued*)

for the year ended 31 March 2016

15 Related party transactions (*continued*)

	2016 £'000	2015 £'000
<b>Dividends paid:</b>		
ACL Autolease Holdings Limited	- =====	23,000 =====

**Directors and key management personnel**

No remuneration was paid or is payable by the Company to the directors (2015: £nil). The directors are employed by other companies within Lloyds Banking Group plc and consider that their duties to this Company are incidental to their other activities within the Group.

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

**UK Government**

In January 2009, the UK Government through HM Treasury became a related party of Lloyds Banking Group plc, the Company's ultimate parent company, following its subscription for ordinary shares issued under a placing and open offer. HM Treasury's interest fell below 20% on 11 May 2015. As a consequence, HM Treasury is no longer considered to have a significant influence and ceased to be a related party of the Company for IAS 24 Related Party Disclosures purposes at that date.

## 16 Future developments

The following pronouncements will be relevant to the Company but were not effective at 31 March 2016 and have not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
IFRS 9 <i>Financial Instruments</i>	Replaces IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . IFRS 9 requires financial assets to be classified into one of three measurement categories, fair value through profit or loss, fair value through other comprehensive income and amortised costs, on the basis of the objectives of the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. IFRS 9 also replaces the existing 'incurred loss' impairment approach with an expected credit loss approach. The hedge accounting requirements of IFRS 9 are more closely aligned with risk management practices and follow a more principle based approach than IAS 39.	Annual periods beginning on or after 1 January 2018.
Annual improvement to IFRSs (issued September 2014)	A collection of amendments to IFRSs from the 2012-2014 cycle of the annual improvements cycle.	Annual periods beginning on or after 1 January 2016.

The full impact of these pronouncements is being assessed by the Company. However, the initial view is that neither of these pronouncements is expected to cause any material adjustments to the reported numbers in the financial statements.

## Notes to the financial statements (*continued*)

for the year ended 31 March 2016

### 17 Contingent liabilities

The Company provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities. This includes open matters where Her Majesty's Revenue and Customs ('HMRC') adopt a different interpretation and application of tax law which might lead to additional tax. A number of Group companies, including the Company, have an open matter in relation to a claim for group relief of losses incurred in a former Irish banking subsidiary of the Lloyds Banking Group, which ceased trading on 31 December 2010.

In 2013 HMRC informed the Lloyds Banking Group that their interpretation of the UK rules, permitting the offset of such losses, denies these claims; if HMRC's position is found to be correct, management estimate that this would result in an increase in the Company's current tax liability of approximately £11.3 million (including interest). The Lloyds Banking Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due on the Company.