

MBNA Direct Limited

Annual report and accounts for the year ended 31 December 2018

Registered office

Cawley House
Chester Business Park
Chester
CH4 9FB

Registered number

02922208

Current directors

J P Metcalfe
D J Walker
J B West

Company Secretary

A Mulholland



Directors' report

For the year ended 31 December 2018

The directors present their report and the audited financial statements of MBNA Direct Limited (the "Company") the year ended 31 December 2018.

General information

The Company is a private limited company, limited by shares, incorporated and domiciled in England and Wales (registered number: 02922208).

The principal activity of the Company was the provision of data processing services for MBNA Limited.

On 1 June 2017, Lloyds Banking plc acquired 100% of the issued shared capital of the Company's parent company, MBNA Limited. Following the acquisition the Company was aligned to Group policies and practices, including adopting Group financial statement presentation.

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

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are 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 contained in note 10 to the financial statements.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. KPIs are monitored and reported at a divisional level.

Future outlook

The Company has ceased trading and will become dormant in the next twelve months.

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

Dividends

No dividends were paid or proposed during the year ended 31 December 2018 (2017: £nil).

Going concern

It is the intention of the directors that the Company becomes dormant following the cessation of its principal activity during the year. Accordingly the financial statements have been prepared on a basis other than going concern.

Directors

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

Directors' indemnities

Lloyds Banking Group plc has granted to the directors of the Company a deed of indemnity through deed poll which constituted 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of directors who join the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year have the benefit of this contract of indemnity during that period of service. The indemnity remains in force for the duration of the directors' periods of office. The deed indemnifies the directors to the maximum extent permitted by law. Deeds for existing directors are available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate directors and officers liability insurance cover which was in place throughout the financial year.

Directors' report (continued)

For the year ended 31 December 2018

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and accounts in accordance with applicable law and regulation.

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

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

The directors are 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 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.

Directors confirmations

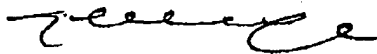
In the case of each director in office at the date the Directors' report is approved:

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

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

This report has been prepared in accordance with section 414 of the Companies Act 2006.

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



J Metcalfe
Director

6 June 2019

Statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 £	2017 £
Other operating income	2	7,140	17,136
Other operating expenses	3	(6,800)	(16,320)
<hr/>			
Profit before tax		340	816
Taxation	6	-	-
<hr/>			
Profit for the year, being total comprehensive income		340	816
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The accompanying notes to the financial statements are an integral part of these financial statements.

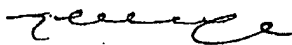
Balance sheet

As at 31 December 2018

	Note	2018 £	2017 £
ASSETS			
Trade and other receivables	7	1,974	1,634
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Total assets		1,974	1,634
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LIABILITIES			
<hr/>			
Total liabilities		-	-
<hr/>			
EQUITY			
Share capital	8	2	2
Retained earnings		1,972	1,632
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Total equity		1,974	1,634
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Total equity and liabilities		1,974	1,634

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

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



J Metcalfe
Director

6 June 2019

Statement of changes in equity

For the year ended 31 December 2018

	Share capital	Retained earnings	Total equity
	£	£	£
At 1 January 2017	2	816	818
Profit for the year being total comprehensive income	-	816	816
At 31 December 2017	2	1,632	1,634
Profit for the year being total comprehensive income	-	340	340
At 31 December 2018	2	1,972	1,974

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

Cash flow statement

For the year ended 31 December 2018

	2018	2017
	£	£
Cash flows generated from operating activities		
Profit before tax	340	816
Adjustments for:		
- Net increase in Trade and other receivables	(340)	(816)
Net cash generated from operating activities	-	-
Change in Cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

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

Notes to the financial statements

For the year ended 31 December 2018

1. Accounting policies

1.1 Basis of preparation

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

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

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

The financial statements have been prepared on a basis other than going concern and under the historical cost convention. The change to basis of preparation from going concern to a basis other than going concern have not had any impact for the amounts recognised in these financial statements.

1.2 Income recognition

Revenue

Revenue, which excludes value added tax, represents income from the provision of data services in the United Kingdom only. The Company recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

1.3 Financial assets and liabilities

Financial assets comprise Amount due from group undertaking. The Company has no financial liabilities.

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

1.4 Taxation

Tax expense comprises current and deferred tax. Current tax is charged or credited in the income statement 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 income statement (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.

1.5 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2. Other operating income

	2018	2017
	£	£
Other operating income (see note 9)	7,140	17,136

Other operating income relates to the recharge of operating expenses to MBNA Ltd. The Company previously engaged in affinity relationships with third parties in respect of MBNA Group issuing affinity branded credit cards. These affinity relationships ceased in May 2018.

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Other operating expenses

	2018 £	2017 £
Other operating expenses (see note 9)	6,800	16,320

Fees payable to the Company's auditors for the audit of the financial statements of £7,000 (2017: £7,000) have been borne by a fellow group undertaking and are not recharged to the Company.

Other operating expenses relate to the issue of affinity credit cards on behalf of MBNA Group. This activity ceased in May 2018.

4. Staff costs

The Company did not have any employees during the year (2017: nil) and incurred no staff costs (2017: £nil).

5. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2017: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 9).

6. Taxation

	2018 £	2017 £
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	-	-
Current tax charge	-	-

Corporation tax is calculated at a rate of 19.00% (2017: 19.25%) of the taxable profit for the year.

b) Factors affecting the tax charge for the year

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

	2018 £	2017 £
Profit before tax	340	816
Tax charge thereon at UK corporation tax rate of 19.00% (2017: 19.25%)	65	157
Factors affecting charge:		
- Group relief	(65)	(157)
Tax charge on profit on ordinary activities	-	-

7. Trade and other receivables

	2018 £	2017 £
Amounts due from group undertaking (see note 9)	1,974	1,634

Amounts due from parent undertaking are unsecured, non-interest bearing and repayable on demand.

Notes to the financial statements (continued)

For the year ended 31 December 2018

8. Share capital

	2018	2017
	£	£
Allotted, issued and fully paid		
2 ordinary shares of £1 each	2	2

The ordinary shares have attached to them full voting, dividend and capital distribution rights.

9. Related party transactions

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

	2018	2017
	£	£
Amounts due from group undertakings		
MBNA Limited (see note 7)	1,974	1,634
Operating income		
MBNA Limited (see note 2)	7,140	17,136
Operating expense		
MBNA Limited (see note 3)	6,800	16,320

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management is comprised of the directors of the Company MBNA Limited. There were no transactions between the Company and key management personnel during the current or preceding year. Key management personnel are employed by other companies within the Group and consider that their services to the Company are incidental to their other activities within the Group.

10. Financial risk management

The Company's operations are not exposed to any significant liquidity risk, business risk, credit risk, interest rate risk, market risk or foreign exchange risk. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by MBNA Limited, and the ultimate parent, Lloyds Banking Group plc.

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

11. Capital disclosures

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 return capital to shareholders, issue new shares, or sell assets.

The Company's capital comprises all components of equity, movements in which appear in the Statement of changes in equity. The Company receives its funding requirements from its fellow group undertakings and does not raise funding externally.

12. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the Balance sheet date (2017: £nil).

13. Post balance sheet events

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

14. Ultimate parent undertaking and controlling party

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

Independent auditors' report to the member of MBNA Direct Limited

Report on the audit of the financial statements

Opinion

In our opinion, MBNA Direct Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and accounts for the year ended 31 December 2018 (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of Comprehensive Income, the Cash flow statement and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 1 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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

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

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

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Independent Auditors' report to the member of MBNA Direct Limited (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

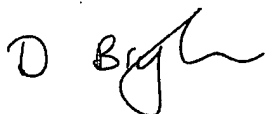
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

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



Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

6 June 2019