

BLACK HORSE FINANCE LIMITED

REPORT AND ACCOUNTS 2002

Registered office

25 Gresham Street
London EC2V 7HN

Registered number
2123008

Directors

J L Davies
T C Bullock
D K Potts
M P Kilbee

Secretary

David Jarvis

Member of Lloyds TSB Group



A40
COMPANIES HOUSE

RSMUKP3L

0502
11/10/03

BLACK HORSE FINANCE LIMITED

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITY

The company's principal activity is the provision of financial services and activities ancillary thereto.

REVIEW OF BUSINESS

During the year the company transferred its unsecured lending book to another group company.

RESULTS AND DIVIDEND

The profit after taxation for the year ended 31 December 2002 amounted to £2,278,000 (2001: £2,427,000) as set out in the profit and loss account on page 6. An interim dividend of £2,200,000 (2001: £2,500,000) is proposed for the year.

DIRECTORS

The names of the directors of the company are shown on page 1.

DIRECTORS' INTERESTS

The interests of those who were directors of the company at the end of the year but who were not also directors of Lloyds TSB Asset Finance Division Limited (formerly Lloyds UDT Finance Limited) in the capital of Lloyds TSB Group plc were:

Shares:

	At 1 January 2002	At 31 December 2002
T C Bullock	1,839	6,005
M P Kilbee	31,288	31,977

Options to acquire shares:

	At 1 January 2002	Granted	Exercised	At 31 December 2002
T C Bullock	32,430	11,297	4,146	39,581
M P Kilbee	27,488	5,594	4,146	28,936

None of these directors had any other interest in the capital of Lloyds TSB Group plc or its subsidiaries.

BLACK HORSE FINANCE LIMITED

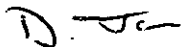
REPORT OF THE DIRECTORS (Continued)

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The company follows "The Better Payment Practice Code" published by the Department of Trade and Industry, regarding the making of payments to suppliers. A copy of the code and information about it may be obtained from the Department of Trade and Industry publications order line 0870 1502500 quoting reference URN 01/621.

The company's policy is to agree terms of payment with suppliers and these normally provide for settlement within 30 days after the date of the invoice, except where other arrangements have been negotiated. It is the policy of the company to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract. As the company owed no amounts to trade creditors at 31 December 2002, the number of days required to be shown in this report, to comply with the provisions of the Companies Act 1985, is nil (2001: 8).

By order of the board,



DAVID JARVIS
Secretary

23 September 2003

BLACK HORSE FINANCE LIMITED

AUDITORS REPORT TO THE SHAREHOLDER OF BLACK HORSE FINANCE LIMITED

We have audited the financial statements on pages 6 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described below, the financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently with the exception of the changes arising on the adoption of a new accounting standard in the year as explained on page 8 under Note 1, 'Accounting Policies';
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BLACK HORSE FINANCE LIMITED

AUDITORS REPORT TO THE SHAREHOLDER OF BLACK HORSE FINANCE LIMITED (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
And Registered Auditors

23 September 2003

The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG

BLACK HORSE FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2002

	<u>Notes</u>	<u>2002</u> £000	<u>2001</u> £000
TURNOVER	2	13,808	18,662
OTHER OPERATING CHARGES		(5,348)	(7,922)
INTEREST PAYABLE	6	(5,182)	(7,265)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,278	3,475
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	(1,000)	(1,048)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,278	2,427
DIVIDEND DECLARED		(2,200)	(2,500)
RETAINED PROFIT / (LOSS) FOR THE YEAR		78	(73)
RETAINED PROFIT BROUGHT FORWARD	13	20	93
RETAINED PROFIT CARRIED FORWARD		98	20

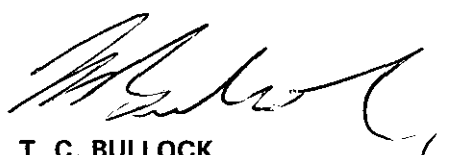
There are no recognised gains and losses other than the profit for the year and all operations are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents.

BLACK HORSE FINANCE LIMITED**BALANCE SHEET****AT 31ST DECEMBER 2002**

	<u>Notes</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
CURRENT ASSETS			
Debtors: due within one year	8	8,952	23,618
due after more than one year	8	94,134	110,736
		<u>103,086</u>	<u>134,354</u>
PREPAYMENTS AND ACCRUED INCOME	9	6,143	6,771
		<u>109,229</u>	<u>141,125</u>
CREDITORS: amounts falling due within one year	10	(95,371)	(124,302)
NET CURRENT ASSETS		<u>13,858</u>	<u>16,823</u>
ACCRUALS AND DEFERRED INCOME	11	(13,760)	(16,803)
NET ASSETS		<u>98</u>	<u>20</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account		98	20
SHAREHOLDER'S FUNDS	13	<u>98</u>	<u>20</u>

The financial statements on pages 6 to 11 were approved by the board of directors on 23 September 2003 and signed on its behalf by:



T. C. BULLOCK
Director

BLACK HORSE FINANCE LIMITED

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

Accounting policies are unchanged from 2001, except that during the year the company has implemented the requirements of Financial Reporting Standard 18 "Accounting Policies" and Financial Reporting Standard 19 "Deferred Taxation". The effect of implementing FRS 18 has not been significant. The adoption of FRS 19 "Deferred Taxation" has not required the restatement of the comparative figures for the prior period.

(A) Accounting Convention

The accounts are prepared under the historical cost convention.

(B) Accounts Presentation

The accounts have been prepared in accordance with Schedule 4 of the Companies Act 1985 and all applicable accounting standards.

(C) Interest Receivable

Interest receivable from advances to customers is credited to the profit and loss account over the periods of the loan agreements using the actuarial or sum of the digits method.

(D) Insurance Commission Receivable

Insurance commission receivable is credited to the profit and loss account at the commencement of the agreement for secured agreements and over the period of the loan for unsecured agreements.

(E) Initial Expenses

Introductory commission and expenses incurred on advances is charged to the profit and loss account over the expected lives of the loans using the sum of the digits method. Other initial expenses are written off as incurred.

(F) Provision for Bad and Doubtful Debts

Loans and advances are written off where there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their estimated realisable values.

(G) Pensions

Pension arrangements for the majority of staff are operated by the Lloyds TSB Asset Finance Division group, of which the company is a member, through defined benefit schemes, the assets of which are held in separate trustee administered funds.

The pension costs relating to these schemes are assessed across the Lloyds TSB Asset Finance Division group as a whole in accordance with the advice of qualified actuaries using the projected unit method. Variations from the regular cost are allocated by equal instalments over the remaining service lives of current employees. Staff not included in defined benefit schemes are members of externally administered defined contribution schemes or are included in the State Pension Scheme.

Contributions to defined benefit schemes, which are based upon the total pension cost for the Lloyds TSB Asset Finance Division group as a whole, are charged to the profit and loss account so as to spread the expected cost of pensions calculated in accordance with actuarial advice on a systematic basis over employees' working lives.

BLACK HORSE FINANCE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)

(H) Deferred taxation

Financial Reporting Standard 19 "Deferred Tax" has been adopted in the preparation of these accounts. The Standard requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. In adopting Financial Reporting Standard 19, the company has chosen not to discount deferred tax assets and liabilities.

2 TURNOVER

The turnover of the company comprises the aggregate amount of interest and insurance commission receivable during the period in respect of advances and other accounts. The company operates only in the United Kingdom.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

All overhead expenses (including auditors' remuneration and directors' emoluments) are paid by other group companies and recharged by a management charge to the company.

4 DIRECTORS' EMOLUMENTS

The directors are paid by other group companies. The directors consider that their services to this company are incidental to their other activities within the group. Accordingly, no remuneration was paid or is payable by the company to directors.

5 STAFF COSTS

All staff are paid by other group companies.

6 <u>INTEREST PAYABLE</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
Intermediate parent undertaking	5,182	7,265
	<u> </u>	<u> </u>

7 TAXATION

(a) <u>Analysis of charge in the year</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>
The charge for taxation is made up as follows:		
Current tax:		
UK corporation tax on profits of the year	1,000	1,048
Adjustments in respect of previous periods	-	-
	<u> </u>	<u> </u>
	1,000	1,048
	<u> </u>	<u> </u>
Total current tax [note 7(b)]		

BLACK HORSE FINANCE LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

Deferred tax:

Origination and reversal of timing differences

- -

Total deferred tax

- -

Total tax on profit on ordinary activities

1,000 1,048

(b) Factors affecting the tax charge

The tax assessed for the year is higher (2001: higher) than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	<u>2002</u> £000	<u>2001</u> £000
Profit before tax	3,278	3,475
Profit multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	983	1,042
Effects of:		
Permanent differences	17	6
Current tax charge for year [note 7(a)]	1,000	1,048

The company expects, in future years, to continue to have permanent differences at a similar level to the current year.

8	<u>DEBTORS</u>	<u>2002</u> £000	<u>2001</u> £000
	Due within one year:		
	Trade debtors – customer advances less provisions	8,946	23,426
	Other debtors	6	192
		<u>8,952</u>	<u>23,618</u>
	Due after more than one year:		
	Trade debtors – customer advances less provisions	94,134	110,736
		<u>94,134</u>	<u>110,736</u>
9	<u>PREPAYMENTS AND ACCRUED INCOME</u>	<u>2002</u> £000	<u>2001</u> £000
	Introductory commission and expenses unexpired	6,143	6,771
		<u>6,143</u>	<u>6,771</u>

BLACK HORSE FINANCE LIMITED**NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)**

10	<u>CREDITORS: amounts falling due within one year</u>	<u>2002</u> £000	<u>2001</u> £000
	Bank overdraft	140	6
	Trade creditors	-	32
	Amounts owed to group companies	90,659	120,018
	Corporation tax payable	999	1,048
	Other creditors	1,373	698
	Dividend payable	2,200	2,500
		<hr/>	<hr/>
		95,371	124,302
		<hr/>	<hr/>

Amounts owed to parent undertakings are unsecured and interest is charged at rates determined by Lloyds TSB Group plc.

11	<u>ACCRUALS AND DEFERRED INCOME</u>	<u>2002</u> £000	<u>2001</u> £000
	Unearned interest income	13,760	16,452
	Unearned insurance income	-	351
		<hr/>	<hr/>
		13,760	16,803
		<hr/>	<hr/>

12	<u>SHARE CAPITAL</u>	<u>2002</u> £	<u>2001</u> £
	Authorised:		
	Ordinary shares of £1 each	1,000	1,000
		<hr/>	<hr/>
	Allotted, issued and fully paid:		
	Ordinary shares of £1 each	100	100
		<hr/>	<hr/>

The company regarded by the directors as the ultimate parent company is Lloyds TSB Group plc, which is also the parent company of the largest group of companies for which group accounts are drawn up and of which the company is a member. Lloyds TSB Asset Finance Division Limited (formerly Lloyds UDT Finance Limited) is the parent company of the smallest such group of companies.

Copies of the group accounts of both may be obtained from the company secretary's office, Lloyds TSB Group plc, 25 Gresham Street, London EC2V 7HN.

13	<u>RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS</u>	<u>2002</u> £000	<u>2001</u> £000
	Retained profit / (loss) for the financial year	78	(73)
	Shareholder's funds brought forward	20	93
		<hr/>	<hr/>
	Shareholder's funds carried forward	98	20
		<hr/>	<hr/>

Shareholder's funds all relate to equity interests.

BLACK HORSE FINANCE LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2002 (continued)

14 CASH FLOW STATEMENT

The company is exempted from presenting a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 (revised) is included in the accounts of its ultimate parent undertaking, Lloyds TSB Group plc.

15 RELATED PARTY TRANSACTIONS

The company is exempted from reporting intra-group related party transactions in accordance with the requirements of Financial Reporting Standard 8 because it is wholly owned by Lloyds UDT Limited.

16 PENSIONS

The intermediary parent undertaking of Black Horse Finance Limited, Lloyds TSB Asset Finance Division has adopted Financial Reporting Standard 17 for the year ended 31 December 2002.

The majority of staff are members of defined benefits schemes operated by Lloyds TSB Asset Finance Division Limited. The company is unable to identify its share of the underlying assets and liabilities of the scheme.

The most recent valuation of the Lloyds TSB Asset Finance Division Pension Scheme was performed as at 31 March 2001 and updated to 31 December 2002, which indicated a deficit of £73m (net of deferred tax). This deficit will increase the Company's future contributions.

Further details can be found in the financial statements of Lloyds TSB Asset Finance Division Limited.

17 APPROVAL OF ACCOUNTS

The directors approved the accounts on 23 September 2003.