

Proton Finance Limited

Report and Accounts 31 December 2002

Registered office

116 Cockfosters Road
Barnet EN4 0DY

Registered number

519068

Directors

B J Collier
J L Davies
S W Green
J M Hayes
A S Park
D J Stehr
P J Stones

Company Secretary

M P Kilbee

Member of Lloyds TSB Group



Report of the Directors

Principal activity

The principal activity of the Company is the provision of instalment finance including leasing. The Company is a joint venture between United Dominions Trust Limited and Proton Cars (UK) Limited.

Results

The profit after taxation for the year ended 31 December 2002 amounted to £464,156 (2001: £461,997) as set out in the profit and loss account on page 5.

Directors

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

The following changes in directors have taken place during the year:

B J Collier	(appointed 1 August 2002)
Tengku Hasmadi	(resigned 28 May 2002)
S C Low	(resigned 30 June 2002)
A S Park	(appointed 2 January 2002)

Reference is made on page 8 in note 2 to the interests of the directors in the share and loan capital of Lloyds TSB Group plc, the ultimate parent company, and its subsidiaries.

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 DTI Publications Order Line 0870-1502500 quoting ref. 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 as 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.

On behalf of the board



M P Kilbee
Company Secretary

30 October 2003

Report of the independent auditors to the members of Proton Finance Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes, which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the 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 responsibilities, as independent auditors, are established in the United Kingdom by statute, and the Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body 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 1985. 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 directors' report 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

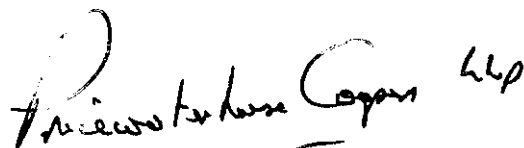
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Report of the independent auditors to the members of Proton Finance Limited (continued)

Opinion

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

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a horizontal line.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

One Kingsway
Cardiff
CF10 3PW

30 October 2003

Profit and loss account

31 December 2002

	Notes	2002 £	2001 £
Turnover	4	5,407,620	6,186,036
Interest payable	5	(2,237,700)	(2,742,702)
		3,169,920	3,443,334
Other income		234,232	147,394
Other operating charges		(2,742,882)	(3,059,290)
Profit on ordinary activities before taxation	4	661,270	531,438
Taxation on profit on ordinary activities	6	(197,114)	(69,441)
Profit for the financial year	12	464,156	461,997

The above results relate to continuing operations.

The Company has no recognised gains and losses other than the profits and losses above and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 8 to 12 form part of these financial statements.

Balance sheet

31 December 2002

	Notes	2002 £	Restated 2001 £
Current assets			
Debtors: due within one year	7	25,078,978	23,013,906
due after more than one year	7	19,005,253	23,879,589
Cash at bank		414,378	321,064
		44,498,609	47,214,559
Creditors: amounts falling due within one year	9	(22,934,194)	(32,274,869)
Net current assets		21,564,415	14,939,690
Creditors: amounts falling due after more than one year	10	(16,250,000)	(10,089,431)
Net assets		5,314,415	4,850,259
Capital and reserves			
Called up share capital	11	20,000	20,000
Profit and loss account	12	5,294,415	4,830,259
Equity shareholders' funds	13	5,314,415	4,850,259

The notes on pages 8 to 12 form part of these financial statements.



Director

Cash flow statement

31 December 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	a	5,775,065	5,442,855
Returns on investments and servicing of finance			
Interest paid		(2,237,700)	(2,742,702)
Taxation			
Taxation paid		(145,600)	(164,872)
Net cash inflow before financing		3,391,765	2,535,281
Financing			
Repayment of loans from group companies	b	(3,298,451)	(2,582,258)
Increase/(decrease) in cash	b	93,314	(46,977)

Notes to the cash flow statement

a. Reconciliation of net cash inflow from operating activities

Profit on ordinary activities before taxation	661,270	531,438
Interest payable	2,237,700	2,742,702
Operating profit	2,898,970	3,274,140
Decrease in debtors	2,793,697	1,902,630
Increase in creditors	82,398	266,085

Net cash inflow from operating activities	5,775,065	5,442,855
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b. Reconciliation of net cash flow to movement in net debt

Increase/(decrease) in cash in the period	93,314	(46,977)
Net cash outflow to group companies	3,298,451	2,582,258

Decrease in net debt resulting from cash flows	c	3,391,765	2,535,281
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Net debt at 1st January 2002	c	(41,375,706)	(43,910,987)
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Net debt at 31st December 2002	c	(37,983,941)	(41,375,706)
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c. Analysis of net debt

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Cash at bank	321,064	93,314	414,378
Loans with group companies			
Due within one year (note 9)	(31,607,339)	9,459,020	(22,148,319)
Due after more than one year (note 10)	(10,089,431)	(6,160,569)	(16,250,000)
	(41,375,706)	3,391,765	(37,983,941)

Notes to the financial statements

31 December 2002

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 19 (FRS 19) "Deferred Taxation;" the effect has not been significant.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Income recognition

Income from instalment credit transactions and finance leases is credited to the profit and loss account in proportion to the funds invested so as to give a constant rate of return over each period.

Commissions

Commission payable on new business is allocated to accounting periods over the life of agreements to produce a constant rate of charge on the outstanding balance. Commissions receivable are credited to the profit and loss account when earned.

Leasing transactions

Assets leased to customers are classified as finance leases if the lease agreements transfer substantially all of the risks and rewards of ownership to the lessee.

Provisions 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.

Deferred taxation

FRS 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. In adopting FRS 19, the Company has chosen not to discount deferred tax assets and liabilities. No restatement of the comparative figures for the prior period has been necessary to reflect the impact of FRS 19.

2. Directors' interests

The interests of those directors who were not also directors of Lloyds TSB Asset Finance Division Limited in the capital of Lloyds TSB Group plc were:

	At 31 December 2002	At 1 January 2002	
Ordinary shares of 25p each			
S W Green	2,090	2,090	
J M Hayes	18,332	18,447	
D J Stehr	12,257	18,195	
P J Stones	4,162	3,944	
Options to subscribe for ordinary shares of 25p each			
	At 1 January 2002	Granted during the year	At 31 December 2002
D J Stehr	8,684	4,761	13,445
P J Stones	34,977	8,951	43,928

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

Notes to the financial statements

31 December 2002

3. Directors and staff

The Company did not directly employ any persons during the year (2001: none), accounting and administrative services being provided by a fellow subsidiary undertaking.

No remuneration was paid or is payable by the Company to the directors (2001: £nil).

4. Profit on ordinary activities before taxation

The profit before taxation is arrived at after taking into account the following items:

	2002 £	2001 £
Turnover		
Interest receivable from:		
Hire purchase agreements	4,961,898	5,559,929
Loans and advances to customers	443,027	622,293
Finance Leases	2,695	3,814
Charges		
Auditors' remuneration		
Audit work	10,032	9,834

5. Interest payable

This represents interest payable to other group undertakings.

6. Taxation

(a) Analysis of charge in the year	2002 £	2001 £
The charge for taxation is made up as follows:		
Current tax		
Current tax on profits for the year	184,415	138,793
Adjustments in respect of previous periods	(2,868)	4,215
Total current tax (note 6(b))	181,547	143,008
Deferred tax		
Origination and reversal of timing differences	14,721	22,189
Adjustment in respect of previous periods	846	(95,756)
Total deferred tax (note 8)	15,567	(73,567)
Total tax charge on profit on ordinary activities	197,114	69,441

Notes to the financial statements

31 December 2002

6. Taxation (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £	2001 £
Profit before tax	661,270	531,438
Profit multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	198,381	159,431
Effects of:		
Temporary differences between taxable accounting profit:		
Accelerated capital allowances	(15,138)	(20,103)
Other timing differences	7	(2,083)
Prior year (credit) /charge	(2,868)	4,215
Permanent differences	1,165	1,548
Current tax charge for year (note 6(a))	181,547	143,008

7. Debtors

	2002 Due within one year £	2002 Due after more than one year £	Restated 2001 Due within one year £	Restated 2001 Due after more than one year £
Loans and advances to customers less provisions	24,556,381	19,005,253	22,769,686	23,879,589
Other debtors	464,597	-	170,653	-
Deferred tax (note 8)	58,000	-	73,567	-
	25,078,978	19,005,253	23,013,906	23,879,589

Loans and advances to customers less provisions at 31 December 2001 have been restated as a result of the offset of unearned finance charges against the gross receivables previously reported. The impact of this restatement is to reduce the level of loans reported by £2,513,410 and £3,932,623 for amounts due within one year and amounts due after one year respectively. This restatement has been made to align presentation with that adopted by fellow subsidiary companies. Previously, unearned finance charges were included within accruals and deferred income.

Notes to the financial statements

31 December 2002

8. Deferred Tax

The movement on the deferred tax assets is as follows:

	2002 £
At 1 January	73,567
Amount charged to profit and loss account	(15,567)
At 31 December	58,000

The deferred tax asset at 31 December comprises:

	2002 £	2001 £
Accelerated capital allowances	57,993	73,547
Other	7	20
	58,000	73,567

9. Creditors: amounts falling due within one year

	2002 £	2001 £
Amounts due to group undertakings (note 14)	22,148,319	31,607,339
Corporation tax	329,986	294,039
Other creditors	455,889	373,491
	22,934,194	32,274,869

10. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Amounts due to group undertakings (note 14)	16,250,000	10,089,431

The loans are unsecured and bear interest at commercial rates.

11. Called up share capital

	2002 £	2001 £
Authorised, issued and fully paid:		
9,999 'A' Ordinary shares of £1 each	9,999	9,999
10,001 'B' Ordinary shares of £1 each	10,001	10,001
	20,000	20,000

The 'A' ordinary shares of £1 each rank pari passu with the 'B' ordinary shares of £1 each in terms of voting, dividend and rights upon winding up.

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

Notes to the financial statements

31 December 2002

12. Profit and loss account

	2002 £	2001 £
At 1 January	4,830,259	4,368,262
Profit for the financial year	464,156	461,997
At 31 December	5,294,415	4,830,259

13. Reconciliation of movements in equity shareholders' funds

	2002 £	2001 £
Profit for the financial year	464,156	461,997
Net increase in equity shareholders' funds	464,156	461,997
Opening equity shareholders' funds	4,850,259	4,388,262
Closing equity shareholders' funds	5,314,415	4,850,259

14. Related party transactions

Details of the significant related party transactions and balances are set out below.

United Dominions Trust Limited and Proton Cars (UK) Limited hold 50.005% and 49.995% of the shares in the Company respectively.

United Dominions Trust Limited

During the year United Dominions Trust charged the Company interest on loan funding of £1,244,864 (2001: £2,732,973) and at 31 December 2002 there is an outstanding creditor of £4,537,500 (2001: £40,254,548).

Black Horse Limited

During the year Black Horse Limited, a fellow subsidiary company, charged the Company interest on loan funding of £89,363 (2001: £2,588) and at 31 December 2002 there is an outstanding creditor of £704,309 (2001: £3,684,409).

Lloyds UDT Limited

During the year Lloyds UDT Limited, a fellow subsidiary company, charged the Company a management fee of £562,520 (2001: £641,697) and at 31 December 2002 there is an outstanding creditor of £248,872 (2001: £68,799).

Lloyds TSB Asset Finance Division Limited

During the year Lloyds TSB Asset Finance Division Limited, a subsidiary of Lloyds TSB Group plc, charged the Company interest on loan funding of £892,060 (2001: £nil) and at 31 December 2002 there is an outstanding creditor of £32,915,963 (2001: £nil).

15. Other liabilities

There were no contracted capital commitments or contingencies at the balance sheet dated (2001: £nil).

16. Date of approval

These accounts were approved by the Board of Directors on  October 2003.