Lloyds Bank Asset Finance Limited

Report and Accounts

2021

Member of Lloyds Banking Group

Strategic report

For the year ended 31 December 2021

The directors present their Strategic report and the audited financial statements of Lloyds Bank Asset Finance Limited (the "Company") for the year ended 31 December 2021.

Business overview

The Company acted as a holding company for its subsidiaries during the year ended 31 December 2021. It did not act in any other capacity.

The Company's result for the year shows a result before tax of £nil (2020: Loss before tax of £1,000,000). As at 31 December 2021 the Company had Net assets of £1,500,000,000 (2020: £1,500,000,000).

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

Future outlook

There are no expected changes in the nature and extent of the Company's operation.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Retail Division within the Group. While these risks are not managed separately for the Company, the Company is an indirect holding company of a number of the Motor Finance entities in the Group's Retail Division, see Investment in subsidiary undertakings note 9. The Retail Division is a portfolio of businesses and operates in a number of specialist markets providing both consumer lending and contract hire to personal and corporate customers. Further details of the Company's and Group's risk management policy are contained in note 13 to the financial statements.

The global pandemic from the outbreak of COVID-19 has caused disruption to financial markets and normal patterns of business activity across the world, including in the UK. Measures taken to contain the health impacts of the COVID-19 pandemic have resulted in adverse impacts on economic activity. These measures have now largely ended and the economic impact of the COVID-19 pandemic is not expected to have a material impact on the going concern of the Company.

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.

Section 172(1) Statement

In accordance with the Companies Act 2006 (the 'Act'), for the year ended 31 December 2021, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Company under section 172. The directors remain mindful in all their deliberations of the long-term consequences of their decisions such as further investment in subsidiaries, as well as the importance of maintaining a reputation for high standards of business conduct and taking account of the views of key stakeholders.

Statement of Engagement with Employees and Other Stakeholders

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the following statement also provides details on how the directors have engaged with, and had regard to, the interest of key stakeholders.

The Company holds the contracts of service for a significant number of employees within the Retail Division of the Group. However, all staff costs are recharged to operating subsidiaries. A significant element of these staff costs are recharged to Black Horse Limited, which is one of the main trading entities within the Retail Division. The approach to employee matters and employee engagement is aligned to that of the Group, where colleagues take pride in working for an inclusive and diverse organisation which continues to work towards building a culture in which everyone feels included, empowered and inspired to do the right thing for customers. In 2019, the Lloyds Banking Group plc ("LBG") Board agreed how LBG, including the Company, would engage the workforce and this has not changed during 2020 and 2021. The definition of 'workforce', as agreed by the LBG Board is permanent employees, contingent workers and third-party suppliers that work on LBG premises delivering services to customers and supporting key business operations.

As a subsidiary of LBG, the Company follows many of the processes and practices of LBG which are further referred to in this statement, where relevant.

Strategic report (continued)

For the year ended 31 December 2021

Section 172(1) Statement (continued)

Customers

The directors ensure the Company, as part of LBG, works toward achieving LBG's customer ambitions by focussing on customer fair value and by treating customers fairly through the activity of it's subsidiary companies. The directors of indirect subsidiary Black Horse Limited have worked to agree customer plans, regularly reviewing customer behaviour, customer pricing and repayment of customer loans, to understand areas where improvements can be made. Black Horse Limited continues to support customers in longer term financial difficulty with a range of debt management options including repayment plans which allow customers to make reduced payments for 6 to 12 months. For customers with extended wait times for new vehicles due to the supply challenges, Black Horse Limited has developed it's balloon refinance proposition as an option to finance existing vehicles for longer.

Shareholders

The Company is a wholly owned subsidiary of LBG, forming part of the Group's Retail Division. As a wholly owned subsidiary, the directors ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of Lloyds Banking Group plc, ensuring that the interests of LBG as the Company's sole shareholder are duly acknowledged. Further information in respect of the relationship of Lloyds Banking Group plc with its shareholders is included within the Strategic Report within the LBG's Annual Report and Accounts for 2021, which does not form part of this report, available on the LBG's website.

How stakeholder interest has influenced decision making

The directors acknowledge that one of the primary responsibilities of the board is to ensure the strategy of the Company, as aligned to that of LBG, is to effectively manage the subsidiary companies to enable them to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct to maintain Company reputation.

During 2021 a continued area of particular focus for the directors of indirect subsidiary Black Horse Limited has been to steer through the challenges faced into as a result of the COVID-19 pandemic, from both an operational and customer perspective, ensuring alignment with guidance from LBG and the regulators. For example working Customer Financial Assistance teams to ensure appropriate support measures are in place for customers experiencing longer term financial difficulties as a result of the pandemic.

Communities and the environment

The Company is the indirect parent of one of the main Motor Finance companies, Black Horse Limited, which continues to support LBG's related initiatives, including Helping Britain Prosper by actively managing its current book of hire purchase products and other loans. Black Horse Limited is integral in supporting the Group's desire to transition to electric vehicles, forming part of a number of commitments it has made to support the green agenda, for example developing and growing relationships with key strategic Electric Vehicle Original Equipment Manufacturers. Additional information on LBG's Helping Britain Recover Plan is available on the LBG's website: https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

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

R A Jones
Director

25 July 2022

Directors' report

For the year ended 31 December 2021

The directors present their report for the year ended 31 December 2021.

General information

The Company is a private limited company incorporated in the United Kingdom, registered and domiciled in England and Wales (registered number: 00615235). The directors in office are listed further in this report and the Company Secretary is D D Hennessey.

The principal activity of the Company is to act as a holding company for its subsidiaries. It has not traded in any other capacity during the year.

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

Employees

As part of the Group, the Company's approach to employee matters and employee engagement is aligned to that of the Group, where colleagues take pride in working for an inclusive and diverse organisation which continues to work towards building a culture in which everyone feels included, empowered and inspired to do the right thing for customers. The Company is committed to ensuring that employees feel valued and empowered to thrive in a truly inclusive business. Employees are offered a competitive and fair reward package that supports its aims as a responsible business. The Company's employees have the ability to join the Group's trade unions, Accord and Unite, which negotiate and consult on behalf of Group employees.

The Company aims to appoint the best person available into any role and to attract talented people from diverse backgrounds. Applications from people with a disability are encouraged and given full and fair consideration. The Company is unbiased in the way it approaches assessment, appointment, training and promotion. A wide range of programmes are available to support colleagues who become disabled or develop a long-term health condition during employment.

Dividends

There were no dividends paid or declared during the year (2020: £nil).

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 have access to adequate liquidity and capital resources for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

Post balance sheet events

The following post balance sheet events have taken place:

On 26 January 2022, indirect subsidiary company Black Horse Limited, made a share capital and share premium reduction of £885,552,098 to £1 and increased Retained earnings by £885,552,098. Also, on 31 January 2022 a dividend of £370,000,000 was paid to direct subsidiary Black Horse Group Limited.

On 31 January 2022 direct subsidiary Black Horse Group Limited completed a share capital reduction to decrease Share capital by £866,999,999 to £1 and increase Retained earnings by £866,999,999. Also, on 31 January 2022 a dividend of £414,059,000 was paid to the Company.

On 31 January 2022, the Company paid a dividend of £836,108,650 to immediate parent company Lloyds Bank Plc.

On 16 February 2022 direct subsidiary Black Horse Group Limited purchased 9,999 shares of Proton Finance Limited from Proton Cars (UK) Limited thus becoming the owner of 100% of the Share capital of Proton Finance Limited.

On 21 March 2022 direct subsidiary Black Horse Group Limited purchased 4,999 ordinary 'A' shares of A G Finance Limited from MCL Group Limited thus becoming the owner of 100% of the Share capital of A G Finance Limited.

On 19 May 2022 direct subsidiary Black Horse Group Limited purchased 499 ordinary 'B' shares of Lotus Finance Limited from Group Lotus Limited thus becoming the owner of 100% of the Share capital of Lotus Finance Limited.

Directors' report (continued)
For the year ended 31 December 2021

Directors

The current directors of the Company are as follows:

B D Bos
R A Jones
T R Smith

The following changes have taken place between the beginning of the reporting period and the approval of the Annual report and accounts:

R Poole	(resigned 12 May 2021)
T R Smith	(appointed 8 August 2021)

Registered office

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

Information included in the Strategic report

The disclosures for Principal risks and uncertainties and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 1.

Directors' indemnities

LBG has granted to the directors of the Company a deed of indemnity which constitutes 'qualifying third party indemnity provisions' for the purposes of the Companies Act 2006. The deed was in force during the whole of the financial year and at the date of approval of the financial statements or from the date of appointment in respect of the director who joined the board of the Company during the financial year. Directors no longer in office but who served on the board of the Company at any time in the financial year had the benefit of this deed of indemnity during that period of service. The deed for existing directors is available for inspection at the registered office of Lloyds Banking Group plc. In addition, the Group has in place appropriate Directors and Officers Liability Insurance cover which was in place throughout the financial year.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the Company's ability to continue as a going concern.

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.

Directors' report (continued)

For the year ended 31 December 2021

Statement of disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's 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.

Independent auditor

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

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

R A Jones
Director

25 July 2022

Statement of comprehensive income

For the year ended 31 December 2021

	Note	**2021 £'m**	2020 £'m
Interest income		-	2
Interest expense		-	(3)
Net interest expense	3	-	(1)
Result/(loss) before tax		-	(1)
Taxation	7	-	-
Result/(loss) for the year, being total comprehensive income/(expense)		-	(1)

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

Balance sheet

As at 31 December 2021

	Note	2021	Restated 2020	Restated As at 1 January 2020
		£'m	£'m	£'m
ASSETS				
Cash and cash equivalents		**86**	4	-
Trade and other receivables	8	**502**	614	1,007
Investment in subsidiary undertakings	9	**1,423**	1,423	1,423
Total assets		**2,011**	**2,041**	2,430
LIABILITIES				
Borrowed funds	10	**511**	541	928
Current tax liability		**-**	-	1
Total liabilities		**511**	**541**	929
EQUITY				
Share capital	11	**486**	486	486
Retained earnings		**1,014**	1,014	1,015
Total equity		**1,500**	**1,500**	1,501
Total equity and liabilities		**2,011**	**2,041**	2,430

The comparatives have been restated as explained in note 17.

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:

R A Jones
Director

25 July 2022

Statement of changes in equity

For the year ended 31 December 2021

	Share capital £'m	Retained earnings £'m	Total equity £'m
At 1 January 2020	486	1,015	1,501
Loss for the year being total comprehensive expense	-	(1)	(1)
At 1 January 2020	**486**	**1,014**	**1,500**
Result for the year being total comprehensive income	-	-	-
At 31 December 2021	**486**	**1,014**	**1,500**

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

Cash flow statement

For the year ended 31 December 2021

	2021	Restated 2020
	£'m	£'m
Cash flows used in operating activities		
Result/(loss)/profit before tax	-	(1)
Adjustments for:		
- Interest income	-	(2)
- Interest expense	-	3
Cash generated from operations	-	-
Tax paid	-	(1)
Net cash used in operating activities	-	(1)
Cash flows generated from investing activities		
Interest received	-	2
Net cash generated from investing activities	-	2
Cash flows generated from financing activities		
Proceeds from lending to group undertakings	82	6
Interest paid	-	(3)
Net cash generated from financing activities	82	3
Change in cash and cash equivalents	82	4
Cash and cash equivalents at beginning of year	4	-
Cash and cash equivalents at end of year	86	4

The comparative balances in the Cash flow statement have been restated to reflect the restatement made to comparatives shown in note 17.

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 2021

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.

The financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). IFRS comprises accounting standards prefixed IFRS issued by IASB and those prefixed IAS issued by the IASB's predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

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

The following new IFRS pronouncement is relevant to the Company and has been adopted in these financial statements:

(i) Minor amendments to other accounting standards: The IASB has issued a number of minor amendments to IFRSs effective 1 January 2021 (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets)

The application of this pronouncement has not had any impact for amounts recognised in these financial statements.

Details of those pronouncements which will be relevant to the Company but which were not effective at 31 December 2021 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

These financial statements contain information about the Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemptions under IFRS 10 Consolidated Financial Statements and Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The Company and its subsidiaries are included in the consolidated financial statements of the Company's ultimate parent company.

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

The financial statements have been prepared on a going concern basis as detailed in the Directors' report and under the historical cost convention.

1.2 Income recognition

Income and expense from financial instruments

Interest income and expense are recognised in the Statement of comprehensive income for all interest bearing financial instruments, including loans and advances, using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense to a period of account. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised on the net lending balance.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Amounts due to group undertakings.

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.

Interest bearing financial assets and financial liabilities are recognised and measured at amortised cost inclusive of transaction costs, using the effective interest rate method.

Amounts due from group undertakings are assessed at the reporting date for impairment on a forward looking basis and, where appropriate, an expected credit loss ("ECL") is recognised based on reasonable and supportable information.

1. Accounting policies (continued)

1.4 Cash and cash equivalents

For the purposes of the Balance sheet and Cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity.

1.5 Taxation

Tax expense comprises current tax. Current tax is charged or credited in the Statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the Statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the Balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs ("HMRC") or other relevant tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each Balance sheet date, and the provisions are re-measured as required to reflect current information.

1.6 Investment in subsidiary undertakings

Investment in subsidiary undertakings is stated in the Balance sheet at cost less any provision for impairment.

Investment in subsidiary undertakings is reviewed for impairment losses at the end of each period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of comprehensive income for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net realisable value and value in use. For the purposes of assessing impairment, investments are grouped at the lowest level at which cash flows are separately monitored by management.

In the event that the assessment for impairment has indicated that the recoverable amount is higher than the carrying value at the date of the assessment, then amounts in respect of previous impairment losses are reversed to bring the carrying amount to the lower of its recoverable amount or original cost of investment.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although those estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

In the course of preparing these financial statements, no critical judgements have been made in the process of applying the Company's accounting policies, other than those involving estimations which are disclosed separately below.

The following is a key source of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of Investment in subsidiary undertakings

The Company regularly reviews its investment in subsidiary undertakings (see note 9) for indicators of impairment. In determining whether impairment has occurred the Company uses a value in use model.

Value in use for the investment in Black Horse Group Limited, the Company's significant subsidiary investment, is calculated by considering the anticipated future cash flows generated by its subsidiaries. Cash flows include income based on the maturity profile of the existing loan books and projected income from new business.

Black Horse Limited is a main trading entity in the Retail division and the principal subsidiary of Black Horse Group Limited. The key judgements in the value in use calculation include:

- the growth in new business of 9.5%, assumed to be in line with the Four Year Operating Plan for the Company
- the margin on the lending portfolio, assumed to be in line with the Four Year Operating Plan for the Company
- cash flows have been discounted back to their current value to take into account the time value of money at a rate of 10.25%. This is the directors' assessment of the Company's cost of equity used as a discount rate.

The impact of individually increasing/(decreasing) the growth rate by and the discount rates by 5% does not have an impact on the net book value of the Company's Investment in subsidiary undertaking.

3. Net interest expense

	2021 £'m	2020 £'m
Interest income		
Group interest income (see note 12)	-	2
Interest expense		
Group interest expense (see note 12)	-	(3)
Net interest expense	-	(1)

4. Other operating expenses

Fees payable to the Company's auditors for the audit of the financial statements of £10,000 (2020: £10,000) have been borne by a fellow group company and are not recharged to the Company. Accounting and administration services are provided by a fellow group undertaking and are not recharged to the Company.

5. Staff costs

The Company holds the contracts of service for a significant number of employees within the Retail Division. The average monthly number of employees during the year was 1,050 (2020: 1,095). However, all staff costs are recharged to operating subsidiaries with a significant element of staff costs recharged to the subsidiary undertaking, Black Horse Limited, which is one of the main trading entities within the Retail Division. Staff costs are recharged with no-mark up included.

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2020: £nil). Whilst the Company holds the contracts of service for one of the directors (2020: one), the cost is recharged to other subsidiary undertakings. The directors consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 12).

7. Taxation

	2021	2020
	£'m	£'m
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable result/(loss) for the year	-	-

Corporation tax is calculated at a rate of 19.00% (2020: 19.00%) of the taxable result/(loss) for the year.

b) Factors affecting the tax charge for the year

A reconciliation of the charge/(credit) that would result from applying the standard UK corporation tax rate to the result/(loss) before tax to the actual tax charge/(credit) for the year was performed.

	2021	2020
	£'m	£'m
Result/(loss) before tax	-	(1)
Tax charge thereon at UK corporation tax rate of 19.00% (2020: 19.00%)	-	-
Tax charge on result/(loss) on ordinary activities	-	-
Effective rate	**0.00%**	0.00%

8. Trade and other receivables

	2021	Restated 2020
	£'m	£'m
Amounts due from group undertakings (see note 12)	**502**	614

Amounts due from group undertakings is unsecured and repayable on demand. Amounts due from Black Horse Limited of £nil (2020: £33,000,000) and Black Horse Finance Holdings Limited £502,000,000 (2020: £581,000,000) are interest bearing based on SONIA. SONIA is an overnight rate.

All Amounts due from group undertakings are included within stage 1 for IFRS 9 purposes. The expected credit loss ("ECL") is negligible in both years.

Notes to the financial statements (continued)

For the year ended 31 December 2021

9. Investment in subsidiary undertakings

	2021	2020
	£'m	£'m
Cost at 1 January and 31 December	**1,423**	1,423
Provision at 1 January and 31 December	**-**	-
Carrying value of investments at 31 December	**1,423**	1,423

Investment in subsidiary undertakings is stated at cost less impairment. As permitted by section 611 of the Companies Act 2006, where the relief afforded under section 612 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiaries.

Subsidiary undertakings	**Company interest**	**Principal activities**	**Registered Address**
ACL Autolease Holdings Limited	100.00%	Holding Company	25 Gresham Street, London, EC2V 7HN
Black Horse Finance Holdings Limited	100.00%	Holding Company	25 Gresham Street, London, EC2V 7HN
Black Horse Finance Management Limited	100.00%	Holding Company	25 Gresham Street, London, EC2V 7HN
Black Horse Group Limited	100.00%	Holding Company	25 Gresham Street, London, EC2V 7HN
Indirect subsidiaries			
ACL Limited [1]	100.00%	Dormant	25 Gresham Street, London, EC2V 7HN
AG Finance Limited [6]	50.01%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Black Horse Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Black Horse (TRF) Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Heidi Finance Holdings (UK) Limited	100.00%	Dormant	25 Gresham Street, London, EC2V 7HN
HVF Limited	100.00%	Dormant	25 Gresham Street, London, EC2V 7HN
Hyundai Car Finance Limited	100.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
International Motors Finance Limited	51.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Lex Autolease Carselect Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Lex Autolease Limited	100.00%	Vehicle contract hire	25 Gresham Street, London, EC2V 7HN
Lex Autolease (CH) Limited [1]	100.00%	Dormant	25 Gresham Street, London, EC2V 7HN
Lex Autolease (VC) Limited [1]	100.00%	Dormant	25 Gresham Street, London, EC2V 7HN
Lloyds UDT Leasing Limited [1]	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
London Taxi Finance Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Lotus Finance Limited [7]	50.10%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Proton Finance Limited [5]	50.01%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Shogun Finance Limited	100.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Suzuki Financial Services Limited	51.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
United Dominions Leasing Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
United Dominions Trust Limited	100.00%	Instalment credit	25 Gresham Street, London, EC2V 7HN
Indirect subsidiaries in liquidation			
Cedar Holdings Limited [3]	100.00%	Liquidation	1 More London Place, London, SE1 2AF
Lloyds UDT Asset Rentals Limited [2]	100.00%	Liquidation	1 More London Place, London, SE1 2AF
Lloyds UDT Limited [2]	100.00%	Liquidation	1 More London Place, London, SE1 2AF
UDT Budget Leasing Limited [2]	100.00%	Liquidation	1 More London Place, London, SE1 2AF
Indirect subsidiary now dissolved			
Inchcape Financial Services Limited [2,4]	51.00%	Dissolved 2021	1 More London Place, London, SE1 2AF

9. Investment in subsidiary undertakings (continued)

(1) All active subsidiaries listed have the same accounting reference date as the Company apart from ACL Limited (31 March), Lex Autolease (CH) Limited (30 June), Lex Autolease (VC) Limited (30 September) and Lloyds UDT Leasing Limited (30 September).

(2) These entities were placed into liquidation during 2019.
(3) These entities were placed into liquidation during 2018.
(4) This entity was dissolved during 2021.
(5) Direct subsidiary Black Horse Group Limited became the 100% shareholder of this entity on 16 February 2022.
(6) Direct subsidiary Black Horse Group Limited became the 100% shareholder of this entity on 21 March 2022.
(7) Direct subsidiary Black Horse Group Limited became the 100% shareholder of this entity on 19 May 2022.

The Company's interest in each of these entities is in the form of ordinary share capital.

10. Borrowed funds

	2021 £'m	Restated 2020 £'m
Amounts due to group undertakings (see note 12)	**511**	541

Amounts due to group undertakings is unsecured and repayable on demand, although there is no expectation that such a demand would be made. The net balance due to Lloyds Bank plc of £465,000,000 (2020: £541,000,000) is interest bearing at both fixed rates and variable rates based on SONIA. Amounts due to Black Horse Group Limited of £46,000,000 (2020: £nil) are interest bearing based upon SONIA.

11. Share capital

	2021 £'m	2020 £'m
Allotted, issued and fully paid		
2,430,500,000 ordinary shares of £0.20 each	**486**	486

12. Related party transactions

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

	2021 £'m	Restated 2020 £'m
Amounts due from group undertakings		
Black Horse Limited	-	33
Black Horse Finance Holdings Limited	**502**	581
Total Amounts due from group undertakings (see note 8)	**502**	614
Amounts due to group undertakings		
Lloyds Bank plc	**465**	541
Black Horse Group Limited	**46**	-
Total Amounts due to group undertakings (see note 10)	**511**	541
Cash and cash equivalents held with group undertakings		
Lloyds Bank plc	**86**	4

12. Related party transactions (continued)

	2021 £'m	2020 £'m
Interest income		
From group undertakings (see note 3)	-	2
Interest expense		
To group undertakings (see note 3)	-	3

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

The 31 December 2020 balances have been restated. See note 17 for further information.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning and controlling the activities of the Company. Accordingly, key management comprises the directors of the Company and the Retail Division. 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.

13. Financial risk management

The Company's operations expose it to business risk. It is not exposed to any significant credit risk, liquidity risk, interest rate risk, market risk or foreign exchange risk. Its transactions are substantially intragroup, within borrowings and lending and only insignificant amounts (the irredeemable preference shares) attract floating rate interest. Responsibility for the control of overall risk lies with the board of directors, operating within a management framework established by the Retail Division of the Group, and the ultimate parent, Lloyds Banking Group plc.

13.1 Business risk

Business risk is the risk that the Company's earnings are adversely impacted by a suboptimal business strategy or the suboptimal implementation of the strategy. In assessing business risk consideration is given to internal and external factors such as products, funding, resource capability and economic, political and regulatory factors.

Through regular reports and oversight business risk is managed by corrective actions to plans and reductions in exposures where necessary.

13.2 Fair values of financial assets and liabilities

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The directors consider that there are no material differences between the carrying amounts shown in the Balance sheet and the fair value.

14. 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 shareholders 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 shareholders, 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

15. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the Balance sheet date (2020: £nil).

16. Post balance sheet events

The following Post balance sheet events have taken place:

On 26 January 2022, indirect subsidiary company Black Horse Limited, made a share capital and share premium reduction of £885,552,098 to £1 and increased Retained earnings by £885,552,098. Also, on 31 January 2022 a dividend of £370,000,000 was paid to direct subsidiary Black Horse Group Limited.

On 31 January 2022 direct subsidiary Black Horse Group Limited completed a share capital reduction to decrease Share capital by £866,999,999 to £1 and increase Retained earnings by £866,999,999. Also, on 31 January 2022 a dividend of £414,059,000 was paid to the Company.

On 31 January 2022, the Company paid a dividend of £836,108,650 to immediate parent company Lloyds Bank Plc.

On 16 February 2022 direct subsidiary Black Horse Group Limited purchased 9,999 shares of Proton Finance Limited from Proton Cars (UK) Limited thus becoming the owner of 100% of the Share capital of Proton Finance Limited.

On 21 March 2022 direct subsidiary Black Horse Group Limited purchased 4,999 ordinary 'A' shares of A G Finance Limited from MCL Group Limited thus becoming the owner of 100% of the Share capital of A G Finance Limited.

On 19 May 2022 direct subsidiary Black Horse Group Limited purchased 499 ordinary 'B' shares of Lotus Finance Limited from Group Lotus Limited thus becoming the owner of 100% of the Share capital of Lotus Finance Limited.

17. Restatement of comparatives

The comparative information reported has been restated, as summarised in the table below:

	Previously reported	Adjustment	**Restated**
	£m	£m	**£m**
Balance sheet (see (1), (2) and (3) below)			
As at 31 December 2020			
Cash and cash equivalents	-	4	**4**
Amounts due from group undertakings	1,224	(610)	**614**
Borrowed funds	(1,147)	606	**(541)**
	77	-	**77**
Related parties note (see (1), (2) and (3) below)			
As at 31 December 2020			
Cash and cash equivalents			
Lloyds Bank plc	-	4	**4**
Amounts due from group undertakings			
Black Horse Limited	33	-	**33**
Black Horse Finance Holdings Limited	-	581	**581**
Lloyds Bank plc	4	(4)	**-**
United Dominions Trust Limited	1,012	(1,012)	**-**
Black Horse Group Limited	175	(175)	**-**
	1,224	(610)	**614**
Amounts due to group undertakings			
Lloyds Bank plc	(716)	175	**(541)**
Black Horse Finance Holdings Limited	(431)	431	**-**
	(1,147)	606	**(541)**

(1) An intercompany adjustment between Amounts due from group undertakings and Borrowed funds was incorrectly made in the prior year financial statements in respect of the flow of funds of a capital injection made to the Company in 2019, increasing both balances by £175,000,000. This adjustment has been removed from the comparative balances in these financial statements as shown in the table above.

(2) Adjustment of £4,000,000 required to correctly restate cash balance held with Lloyds Bank plc that had previously been reported as Amounts due from group undertakings and is now being corrected to show as Cash and cash equivalents.

(3) Amounts due from group undertakings was disclosed against United Dominions Trust Limited rather than Black Horse Finance Holdings Limited the incorrect counterparty in 31 December 2020 financial statements. Amounts due from group undertakings was disclosed against Black Horse Finance Holdings Limited rather than United Dominions Trust Limited. An adjustment of £1,012,000,000 has been posted between these counterparties in the financial statements to reflect the correct funding position.

Notes to the financial statements (continued)
For the year ended 31 December 2021

18. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2021 and has not been applied in preparing these financial statements.

Pronouncement	Nature of change	Effective date
Minor amendments to other accounting standards	The IASB has issued a number of minor amendments to IFRSs effective 1 January 2022 and in later years (including IFRS 9 Financial Instruments and IAS 37 Provisions, Contingent Liabilities and Contingent Assets).	Annual periods beginning on or after 1 January 2022

The full impact of this pronouncement is being assessed by the Company. However, the initial view is that this is not expected to cause any material adjustments to the reported numbers in the financial statements.

19. Ultimate parent undertaking and controlling party

The immediate parent company is Lloyds Bank plc (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 https://www.lloydsbankinggroup.com/investors/financial-downloads.html.

Independent Auditors' report to the members of Lloyds Bank Asset Finance Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Lloyds Bank Asset Finance Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' report to the members of Lloyds Bank Asset Finance Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements, for example, the Companies Act 2006; and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty, for example, FCA regulation.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent Auditors' report to the members of Lloyds Bank Asset Finance Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Mark Taylor

Mark Taylor, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

27 July 2022