

Black Horse Group Limited

Annual report and financial statements

2022



Member of Lloyds Banking Group

Directors' report

For the year ended 31 December 2022

The directors present their report for the year ended 31 December 2022.

General information

The Company is a private company limited by shares, incorporated in the United Kingdom, and registered and domiciled in England and Wales (registered number: 02498806). The directors in office are listed further in this report and the Company secretary is D D Hennessey.

The Company acts 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").

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are managed within the framework established for the Group and are not managed separately for the Company. Further details of the Company's and Group's risk management policy are contained in note 14 to the financial statements.

Key performance indicators ("KPIs")

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

Future outlook

No changes in the nature or scale of the Company's activities are expected in the foreseeable future.

The Company remains committed to the ambitious climate change goals set for the Group in 2020, see 2022 Group financial statements for further details at www.lloydsbankinggroup.com/investors/financial-downloads.

Dividends

In 2022, distributions of £790,438,000 (2021: £12,304,000) were received by the Company. The directors consider £425,000,000 of these distributions to represent the return of capital injected into Black Horse Limited in 2019, with the remaining £365,438,000 representing Income from investments, see note 3.

In 2022, distributions of £834,333,000 (2021: £nil) were declared and paid to the Company's parent Lloyds Bank Asset Finance Limited. The directors consider £425,000,000 of these distributions to represent the return of capital injected by Lloyds Bank Asset Finance Limited in 2019, with the remaining £409,333,000 representing a distribution of income.

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

In April 2023, the Company received a dividend of £13,101,000 from International Motors Finance Limited.

Directors

The current directors of the Company are as follows:

T R Smith
S Vijay
N A Williams

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

R A Jones	(resigned 28 October 2022)
N A Williams	(appointed 14 November 2022)

Directors' report (continued)

For the year ended 31 December 2022

Registered office

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

Directors' indemnities

Lloyds Banking Group plc 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 2022

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:

A handwritten signature in black ink, appearing to be 'T R Smith', enclosed within a circular scribble.

T R Smith
Director
26 June 2023

Statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Interest expense		(130)	(69)
Income from investments	3	365,438	12,304
Other operating expenses	4	(80)	(13)
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Profit before tax		365,228	12,222
Taxation	7	-	-
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Profit for the year, being total comprehensive income		365,228	12,222
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The accompanying notes to the financial statements are an integral part of these financial statements.

Balance sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Amounts due from group undertakings	9	2,462	46,437
Investment in subsidiary undertakings	10	489,965	914,965
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Total assets		492,427	961,402
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LIABILITIES			
Borrowed funds	11	2,587	2,457
Trade and other payables		4	4
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Total liabilities		2,591	2,461
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EQUITY			
Share capital	12	-	867,000
Retained earnings		489,836	91,941
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Total equity		489,836	958,941
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Total equity and liabilities		492,427	961,402

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:



T R Smith
Director

June 26 2023

Statement of changes in equity

For the year ended 31 December 2022

		Share capital	Retained earnings	Total equity
		£'000	£'000	£'000
At 1 January 2021		867,000	79,719	946,719
Profit for the year being total comprehensive income		-	12,222	12,222
At 31 December 2021		867,000	91,941	958,941
Profit for the year being total comprehensive income		-	365,228	365,228
Share capital reduction	12	(867,000)	867,000	-
Distributions to shareholder	8	-	(834,333)	(834,333)
At 31 December 2022		-	489,836	489,836

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

Cash flow statement

For the year ended 31 December 2022

		2022 £'000	2021 £'000
Cash flows used in operating activities			
Profit before tax		365,228	12,222
Adjustments for:			
- Dividend income	3	(365,438)	(12,304)
- Interest expense		130	69
Changes in operating assets and liabilities:			
- Net increase in Trade and other payables		-	4
Net cash used in operating activities		(80)	(9)
Cash flows generated from investing activities			
Dividends received	3	365,438	12,304
Decrease/(increase) in net lending to group undertakings		200	(9,664)
Additional investment in subsidiary undertaking	10	-	(2,562)
Return of investment from subsidiary undertaking	10	425,000	-
Net cash generated from investing activities		790,638	78
Cash flows used in financing activities			
Distributions to shareholder	8	(790,428)	-
Interest paid		(130)	(69)
Net cash used in financing activities		(790,558)	(69)
Change in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

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

Notes to the financial statements

For the year ended 31 December 2022

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 of the Company comply with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared in accordance with IFRS. IFRS comprises accounting standards prefixed IFRS issued by the 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.

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 2022 (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 2022 and which have not been applied in preparing these financial statements are given in note 18. No standards have been early adopted.

These separate 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

Dividend income

Dividend income is recognised in the period in which it is paid.

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.

1.3 Financial assets and liabilities

Financial assets comprise Amounts due from group undertakings. Financial liabilities comprise Borrowed funds and Trade and other payables.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

1. Accounting policies (continued)

1.4 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 His Majesty's Revenue and Customs ("HMRC") or another 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.

1.5 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.

1.6 Preference shares

Preference shares which carry a mandatory coupon or are redeemable on a specific date are classified as liabilities. The coupon or dividend on these instruments is recognised in the Statement of comprehensive income as interest expense.

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, nor have there been any key sources of estimation uncertainty used in the process of applying the Company's accounting policies.

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Income from investments

	2022 £'000	2021 £'000
Dividend income		
Black Horse Limited	352,000	-
Lotus Finance Limited	10	-
Shogun Finance Limited	2,148	5,062
Suzuki Financial Services Limited	11,280	7,242
	365,438	12,304

4. Profit before tax

Fees payable to the Company's auditors for the audit of the financial statements of £11,000 (2021: £11,000) 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 did not have any employees during the year (2021: none).

6. Directors' emoluments

No director received any fees or emoluments from the Company during the year (2021: £nil). The directors are employed by other companies within the Group and consider that their services to the Company are incidental to their other responsibilities within the Group (see also note 13).

7. Taxation

	2022 £'000	2021 £'000
a) Analysis of charge for the year		
UK corporation tax:		
- Current tax on taxable profit for the year	-	-

Corporation tax is calculated at a rate of 19.00% (2021: 19.00%) of the taxable profit for the year.

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Taxation (continued)

b) Factors affecting the tax charge for the year

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

	2022 £'000	2021 £'000
Profit before tax	365,228	12,222
Tax charge thereon at UK corporation tax rate of 19.00% (2021: 19.00%)	69,393	2,322
Factors affecting charge:		
- Disallowed and non-taxable items	(69,393)	(2,322)
Tax charge on profit on ordinary activities	-	-
Effective rate	0.00%	0.00%

Finance Act 2021, which received Royal Assent on 10 June 2021, increases the rate of corporation tax from 19% to 25% with effect from 1 April 2023.

8. Dividends

In 2022, distributions of £834,333,000 (2021: £nil) were declared and paid to the Company's parent Lloyds Bank Asset Finance Limited. This represented £834,333,000 per share of which £790,428,000 was settled in cash with the remaining £43,905,000 settled via Amounts due to and from group undertakings.

The directors consider £425,000,000 of these distributions to represent the return of capital injected by Lloyds Bank Asset Finance Limited in 2019, with the remaining £409,333,000 representing a distribution of income.

9. Amounts due from group undertakings

	2022 £'000	2021 £'000
Amounts due from group undertakings (see note 13)	2,462	46,437

Amounts due from group undertakings is unsecured and repayable on demand. Amounts due from Black Horse Limited of £nil (2021: £80,000), Lloyds Bank Asset Finance Limited of £2,452,000 (2021: £46,357,000) and Lotus Finance Limited of £10,000 (2021: £nil) are non-interest bearing. Amounts due from group undertakings are included within stage 1 for IFRS 9 purposes and the ECL is negligible.

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Investment in subsidiary undertakings

	2022 £'000	2021 £'000
Cost		
Cost brought forward	918,427	915,865
Additions	-	2,562
Return of investment	(425,000)	-
Cost at 31 December	493,427	918,427
Provision for impairment		
Provision brought forward	(3,462)	(3,462)
Provision at 31 December	(3,462)	(3,462)
Carrying value of investments at 31 December	489,965	914,965

On 12 October 2021, the Company purchased the remaining 4,999 shares in Shogun Finance Limited for a net purchase price of £2,562,000.

On 16 February 2022, the Company purchased 9,999 shares of Proton Finance Limited for £1.

On 21 March 2022, the Company purchased 4,999 ordinary 'A' shares of A G Finance Limited for £1.

On 19 May 2022, the Company purchased 499 ordinary 'B' shares of Lotus Finance Limited for £500.

In 2022, the Company received a return of investment of £425,000,000 from wholly owned subsidiary Black Horse Limited in respect of a capital injection of £425,000,000 made to Black Horse Limited in 2019. This reduced the Company's investment in Black Horse Limited by £425,000,000.

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Investment in subsidiary undertakings (continued)

The subsidiary undertakings at 31 December 2022 and 31 December 2021, listed below, are all incorporated in England and Wales.

Direct subsidiary undertakings	Company interest	Principal activities	Registered address
Black Horse Limited	100.00%	Financial services	25 Gresham Street, London, EC2V 7HN
Heidi Finance Holdings (UK) Limited	100.00%	Holding company	25 Gresham Street, London, EC2V 7HN
London Taxi Finance 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
Hyundai Car Finance Limited ¹	100.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Shogun Finance Limited ²	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
International Motors Finance Limited	51.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Lotus Finance Limited ⁵	100.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
A G Finance Limited ⁴	100.00%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH
Proton Finance Limited ³	99.995%	Instalment credit	St William House, Tresillian Terrace, Cardiff, CF10 5BH

¹ The Company owns 50.01% of Hyundai Car Finance Limited directly and 49.99% indirectly through Heidi Finance Holdings (UK) Limited.

² The Company purchased the remaining 4,999 shares, representing 49.99% of the ordinary share capital in Shogun Finance Limited from the joint venture partner for a net purchase price of £2,562,000 in October 2021.

³ The Company increased its shareholding from 50% to 99.995% of this entity on 16 February 2022.

⁴ The Company became the 100% shareholder of this entity on 21 March 2022.

⁵ The Company 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.

11. Borrowed funds

	2022 £'000	2021 £'000
Amounts due to group undertakings (see note 13)	536	406
Irredeemable preference shares (see note 13)	2,051	2,051
	2,587	2,457

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Borrowed funds (continued)

Amounts due to group undertakings is unsecured and repayable on demand, although there is no expectation that such a demand would be made. Amounts due to Eurolead Services Holdings Limited of £536,000 (2021: £406,000) are non-interest bearing.

The preference shares confer upon the holders the right to receive a cumulative preferential dividend in an amount to be determined by reference to Bank of England base rate plus a margin 3.33 percentage points. On a return of capital in a winding up, the holders shall be entitled to the 1p nominal value, any amount of the preferential dividend due but unpaid, plus 99p per share, in preference to all other classes of shareholders. Holders of these shares are not entitled to receive notice of, attend or vote at a general meeting. In accordance with IAS 32 'Financial instruments: Presentation', the issued shares are reported as liabilities at their fair value at inception.

12. Share capital

	2022 £'000	2021 £'000
Allotted, issued and fully paid		
1 ordinary shares of £1 each (2021: 867,000,000 ordinary shares of £1 each)	-	867,000

In January 2022, the Company converted all except £1 of its Share capital into distributable reserves. The Company used these distributable reserves to pay distributions of £834,333,000 (2021: £nil) to its parent company Lloyds Bank Asset Finance Limited, of which £425,000,000 is deemed to represent the return of capital injected by Lloyds Bank Asset Finance Limited in 2019, with the remaining £409,000,000 representing a distribution of income.

13. 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.

	2022 £'000	2021 £'000
Amounts due from group undertakings		
Black Horse Limited	-	80
Lloyds Bank Asset Finance Limited	2,452	46,357
Lotus Finance Limited	10	-
Total Amounts due from group undertakings (see note 9)	2,462	46,437
Amounts due to group undertakings		
Eurolead Services Holdings Limited ¹	535	406
Black Horse Limited	1	-
Total Amounts due to group undertakings (see note 11)	536	406
Irredeemable preference shares		
Eurolead Services Holdings Limited (see note 11) ¹	2,051	2,051
Income from investments		
Shogun Finance Limited	2,148	5,062
Suzuki Financial Services Limited	11,280	7,242
Black Horse Limited	352,000	-
Lotus Finance Limited	10	-
Total Income from investments (see note 3)	365,438	12,304
Interest expense		
Eurolead Services Holdings Limited ¹	130	69

¹ Eurolead Services Holdings Limited is a fellow group company.

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.

Notes to the financial statements (continued)

For the year ended 31 December 2022

13. Related party transactions (continued)

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 Consumer Lending 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.

14. 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, foreign exchange risk or business 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 Consumer Lending Division of the Group, and the ultimate parent, Lloyds Banking Group plc.

14.1 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.

14.2 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.

15. 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.

16. Contingent liabilities and capital commitments

There were no contingent liabilities or contracted capital commitments at the Balance sheet date (2021: £nil).

17. Post balance sheet events

In April 2023, the Company received a dividend of £13,101,000 from International Motors Finance Limited.

Notes to the financial statements (continued)

For the year ended 31 December 2022

18. Future developments

The following pronouncement will be relevant to the Company but was not effective at 31 December 2022 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 2023 and in later years (including IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors).	Annual periods beginning on or after 1 January 2023

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

Independent auditor's report to the members of Black Horse Group Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Black Horse Group (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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; and
- 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 report.

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 auditor's report to the members of Black Horse Group 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 and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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. This included the UK Companies Act; 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 statements.

In common with all audits under ISAs (UK), we are also 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.

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 auditor's report to the members of Black Horse Group 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 us; or
- 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; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirements to prepare a strategic report.

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

26 June 2023